1992 RETAIL FACT BOOK

R. J. Reynolds Tobacco Company

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1992 RETAIL FACT BOOK

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RJReynolds Tobacco Company

" WE WORK FOR SMOKERS "

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1992 RETAIL FACT BOOK

INTRODUCTION

This manual is a comprehensive source of cigarette retail facts. It focuses on our industry's major retail sectors by providing performance trends and demographic summaries for each sector. The material will assist you in identifying RJR's strengths, weaknesses, and opportunities and is intended to be used as an aid in preparing presentations for retail or wholesale customers.

FORMAT

Immediately following the Table of Contents, is the "Key Fact Summary Page" which highlights frequently requested data and is designed to serve as a quick reference guide.

The first chapter of the report is a review of the total cigarette industry. It includes unit and dollar trends, smoking incidence, pack/carton ratios, retail outlet shares, company performances, and demographic profiles for the total cigarette industry.

Each of the next eight chapters focuses on the major retail sectors including: supermarkets, convenience stores, small food stores, gas stores, drug stores, membership clubs, discount stores, and liquor stores.

Each of these chapters (with the exception of membership clubs and liquor stores) is divided into three parts.

- Part I is titled "Performance Review" and reports the outlet's performance including: cigarette importance as a percentage of All Commodity Volume, cigarette volume and dollar sales, the outlet's share of total market, average cigarette prices and margins, pack versus carton sales, and cigarette category performance.

- Part II is titled "Tobacco Company Comparisons" and reports RJR and competitive performance within each retail sector. Share of volume is provided and where possible, inventory share.

- Part III is titled "Demographic Profile and Purchase Behavior" and provides a profile of the consumers who shop the outlet, promotion use and response to out of stocks.

The tenth and final chapter is the Appendix which contains summary trend tables, and new to this issue, information on Brand Loyalty, Leading Retail Companies, and additional pricing information.

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CAUTIONARY REMINDERS

Most of the information contained in this manual is drawn from samples and, as a result, there are error ranges associated with the data. The margin of potential error varies among the many figures used. Keep in mind that slight deviations in trends which cannot be explained by market factors may be the result of rounding and/or sampling error. Additionally, share figures may occasionally not add to 100% due to rounding.

The information contained in this document is provided for your understanding of the cigarette category and of our performance relative to the industry at large and to the various retail segments. As needed to promote the same understanding with customers or clients, you should feel free to use any relevant information within this document. If you should leave such information with customers or clients, you should request that they do not distribute the information outside their organizations.

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Key Fact Summary Page

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RETAIL FACT BOOK
KEY FACT SUMMARY PAGE
1991

	Number of Stores	Annual Cigarette Sales ($ Billions)	% of All Commodity Volume *	Average Weekly Sales Per Store (Cartons) **	1991 Share of Volume	1991 Pack/Carton Volume Ratio Pack	Carton
Supermarkets	30,670	$12.9	3.3%	505	32%	27%	73%
Convenience Stores	57,000	9.8	16.7	192	22	76	24
Small Food Stores	52,330	3.5	6.5	68	8	57	43
Gas Stores	51,872	4.8	25.8	102	11	73	27
Drug Stores	53,595	2.5	5.9	53	6	38	62
Discount Stores	9,197	1.9	1.2	262	5	12	88
Liquor Stores	25,326	1.2	N/A	53	3	59	41

*1990 figures reflected.
**Based on 1991 store counts and 1991 volume estimates.

	1991 Category Share Within Outlet						Average Retail Price			Average Gross Margin		
	85mm	100-120mm	Full Flavor	Low Tar	Menthol	Savings Segment	Per Pack	Per Carton	Combined Average Per Pack	Per Pack	Per Carton	Combined Average Per Pack
Supermarkets (Chain)	50%	50%	36%	61%	26%	24%	$1.75	$15.35	$1.59	22.1%	11.2%	14.4%
Convenience Stores	60	40	43	55	25	22	1.83	15.48	1.75	25.0	11.9	22.1
Small Food Stores	59	41	42	54	25	27	1.81	15.95	1.72	24.6	14.5	20.7
Service Stations	61	37	40	57	23	23	1.75	15.65	1.70	22.1	12.9	19.7
Drug Stores	43	51	34	60	29	21	1.77	15.67	1.65	23.1	13.0	17.2
Discount Stores	40	54	36	58	24	25	1.74	15.38	1.56	21.6	11.3	12.6
Liquor Stores	N/A	N/A	N/A	N/A	N/A	N/A	1.88	16.26	1.77	27.4	16.2	22.8

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CHAPTER 1

TOTAL CIGARETTE INDUSTRY

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I. PERFORMANCE REVIEW

TOTAL CIGARETTE INDUSTRY

Unit/Dollar Sales

- At the consumer level, 1991 cigarette sales are estimated to be 503.6 billion units, or 3.7% below year ago.
- Despite the Industry's volume decline, retail dollar sales of cigarettes have continued to climb.
- Total estimated retail dollar sales for the industry reached $41.8 billion in 1991, up about 7.5% versus 1990 sales.

	1989	1990	1991*
Total Cigarette Consumer Sales (Billions of Cigarettes)	533.8	522.7	503.6
Percent Change Versus Year Ago (Unit Volume)	-4.2%	-2.1%	-3.7%
Total Cigarette Retail Dollars (Billions)	$35.5	$38.9	$41.8
Percent Change Versus Year Ago (Retail Dollar Volume)	+7.3%	+9.6%	+7.5%

Source: RJR Consumer Trend Reports, RJR Purchase Pattern Reports, and RJR Price Surveys

*Estimated

Smoking Incidence

- In 1991, 25.1% of the U.S. adult population smoked cigarettes.
- Smoking incidence was greater than 29% in the 25-49 year old range.

Smoker Incidence	1989	1990	1991*
18-24	23.5%	22.1%	23.3%
25-34	30.2	29.9	29.5
35-49	29.6	29.4	28.9
50+	20.6	20.5	19.9
Total 18+	25.7%	25.4%	25.1%

Source: RJR Household Member Incidence Reports, demographically weighted.

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Pack Versus Carton Sales

- The long term trend toward pack sales continued in 1991, as packs accounted for 48% of total volume. (For additional pack/carton information, refer to the Appendix.)

Pack/Carton Ratio of Cigarette Sales	1989	1990	1991
Pack	45%	47%	48%
Carton	55	53	52

Source: RJR Purchase Pattern Reports

Cigarette Categories

Category/Segment Share of Volume	1991
Non-Filter	3.2%
Menthol	25.6
Full Flavor	39.0
Low Tar	57.7
Fuller Flavor Low Tar	42.8
Ultra Low Tar	14.9
Box	23.0
70mm - 85mm	55.6
100mm - 120mm	44.3
Branded Generics	11.8
Sub-Generic	6.4
Price-Off	.6
Value 25's/30's	.8
Private Label/Generics	5.5
Total Savings	25.1
Full Price	74.9

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Source: A. C. Nielsen

Outlet Performance

- Supermarkets' share of industry volume declined by two share points from 1990 to 1991 (from 34% to 32%).
- Convenience store share of volume increased to 22% in 1991.
- The total Convenience/Gas segment accounts for the largest portion of industry volume.

Outlet Importance
% Total Industry Volume

	1989	1990	1991
Supermarkets	35%	34%	32%
Convenience Stores	20	20	22
Small Food Stores	10	9	8
Total Food	64	63	62
Service Stations	11	12	11
Drug Stores	6	6	6
Discount	4	5	5
Liquor	2	3	3
Military	2	3	3
Other	10	8	10
Total Convenience/Gas	31	32	34

Source: RJR Purchase Pattern Reports
(Percentages may not add due to rounding)

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II. TOBACCO COMPANY COMPARISONS

Company Performance

- RJR's share for 1991 was 29.5%. This share level performance reflected the impact of intense competitive pressure in 1991.

- Philip Morris is ranked number one with almost 43% of the market.

Company Share of Market (Nielsen Food/Gas)

	1991
R. J. Reynolds	29.5%
Philip Morris	42.5
Brown & Williamson	10.3
Lorillard	6.3
American	7.4
Liggett	4.0

Source: A. C. Nielsen

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Category Performance

- R. J. Reynolds is ranked number one in the Menthol, Ultra Low Tar, and Savings categories and places second in all other categories.
- There are only three categories which are dominated by a single company - RJR has about 62% of the Value 25's/30's Savings category, Philip Morris has about 70% of the Box category and American Tobacco has about 48% of the Non-Filter category.

	1991 Company Share of Categories					
	R. J. Reynolds	Philip Morris	Brown & Williamson	Lorillard	American Tobacco	Liggett
Non-Filter	30.1%	6.3%	5.6%	.1%	47.7%	10.2%
Menthol	32.5	25.0	21.4	13.6	4.6	2.9
Full Flavor	27.6	44.7	13.7	6.9	4.3	2.8
Low Tar	30.8	43.0	8.2	6.3	7.3	4.4
Fuller Flavor Low Tar	29.6	46.8	9.1	5.0	5.3	4.2
Ultra Low Tar	34.0	32.0	5.6	10.3	13.2	4.9
Box	13.1	69.6	5.6	5.1	4.6	2.0
85mm	29.9	43.6	10.7	6.8	6.0	3.0
100+mm	28.9	41.1	9.9	5.7	9.2	5.2
Branded Discount	42.7	36.7	17.3	.1	3.2	0.0
Branded Sub-Generic	11.6	24.3	15.9	0.0	31.4	16.8
Price-Off	12.2	0.0	0.0	18.3	67.6	1.9
Value 25's/30's	62.0	20.3	15.4	0.0	0.0	2.3
Private Label/Generic	18.8	22.9	25.6	0.0	0.0	32.7
Total Savings	29.3	29.1	18.3	.5	11.2	11.6
Full Price	29.6	46.9	7.6	8.3	6.2	1.4

Source: A. C. Nielsen

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III. DEMOGRAPHIC PROFILE

Total Market Demographics

- There are approximately 47 million adult smokers in the U.S.
- Industry (smoker) development tends to be highest among: males, individuals between the ages of 25 and 49, and those whose household income ranges from $15,000 to $25,000.

Smoker Profile

	Percent of Cigarette Smokers 1991	% Total Adults	Smoker Index to Total Adults
Sex			
Male	52%	48%	108%
Female	48	52	92
Age			
18-24	13%	14%	93%
25-34	27	23	117
35-49	33	29	114
50+	27	34	79
Household Income			
Under $15,000	24%	24%	100%
$15,000-$24,999	25	17	147
$25,000-49,999	36	34	106
$50,000 or more	15	25	60
Race			
White	83%	85%	98%
Black	10	11	91
Hispanic	7	4	175

Note: Percentages may not add due to rounding.

Source: RJR Annual Purchase Pattern Reports (Sex, Age, Income and Race of Smokers)

U.S. Department of Commerce Bureau of Census (Sex, Age and Race of U.S. Population)

D & B - Donnelley Demographics (U.S. Household Income)

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Volume Smoked - By Age/Sex

- Males account for 55% of the volume smoked while females account for 45%.

% of Total Volume

	1989	1990	1991
18-24	11%	10%	11%
25-34	26	26	25
35-49	35	35	36
50+	28	29	28
Male	55	56	55
Female	45	44	45

Source: RJR Purchase Pattern Reports

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Company Demographics

- Compared with the total industry, RJR smokers tend to skew slightly male.
- American and Liggett are more developed among female smokers than male smokers.
- Philip Morris and Lorillard are more highly developed among the 18-34 smokers than the rest of the industry.
- RJR and Brown & Williamson are the most highly developed among the 35-49 age group.
- American and Liggett are the most highly developed among the 50+ age group.
- Brown & Williamson and Lorillard are more highly developed among Black smokers than the rest of the industry.

1991 Company Profile (% of Smokers)

	R. J. Reynolds	Philip Morris	Brown & Williamson	American	Lorillard	Liggett	Generic/ Private Label
Sex							
Male	56%	51%	54%	47%	51%	36%	52%
Female	44	49	46	52	49	64	48
Age							
18-24	8%	19%	4%	2%	17%	2%	4%
25-34	22	34	24	9	34	9	20
35-49	37	30	42	28	28	28	34
50+	33	17	30	61	21	61	43
Race							
Black	9%	5%	25%	8%	31%	3%	3%
Hispanic	3	4	3	1	5	1	1

Source: RJR 1991Tracker Data

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CHAPTER 2

SUPERMARKETS

I. *PERFORMANCE REVIEW*

II. *TOBACCO COMPANY COMPARISONS*

III. *DEMOGRAPHIC PROFILE & PURCHASE BEHAVIOR*

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I. PERFORMANCE REVIEW

SUPERMARKETS

Cigarette Performance

- Cigarettes account for 3.3% of supermarket ACV, making it one of the most important product categories in the supermarket industry.
- Total supermarket dollar sales of cigarettes have remained strong. Dollar sales for 1991 are estimated at $12.9 billion, up from $12.3 billion in 1990.
- The supermarket share of total U.S. cigarette volume declined slightly from 1990 to 1991 (from 35% to 32%). *Supermarkets, however, continued to be the leading retail sector for cigarettes.
- In 1991, the average weekly cigarette sales (cartons) per store was 505.
- About 3.1 billion cigarettes are sold weekly in supermarkets across the nation.
- Chain supermarket cigarette volume continues to account for more than two thirds of total supermarket cigarette volume.

Cigarette Performance in the Supermarket Industry

Supermarkets	1989	1990*	1991*
Cigarette % ACV*	3.3%	3.3%	3.3%
Cigarette Retail Sales ($ Billions)	$11.9	$12.3	$12.9
Share of Cigarette Industry Volume	35%	34%	32%
Chain Share of Cigarette Volume	25%	24%	22%
Independent Share of Cigarette Volume	10%	10%	10%
Average Weekly Sales Per Store (Cartons)	587	548	505
Industry Unit Volume Per Week (Billions)	3.57	3.37	3.11

*ACV reflects 1990 performance.

Source: Progressive Grocer, RJR Purchase Pattern Reports, RJR Price Surveys, RJR Consumer Trend Reports

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Summary of Supermarket Prices and Margins

	1989	1990	1991
Average Pack Price	$1.41	$1.55	$1.75
Average Carton Price	12.41	13.57	15.35
Weighted Pack Price	1.28	1.41	1.59
Pack Gross Margin	20.6%	21.1%	22.1%
Carton Gross Margin	9.6	10.2	11.2
Weighted Pack Margin	12.5	13.3	14.4
Pack Markup	$.29	$.33	$.39
Carton Markup	1.19	1.39	1.72
Weighted Pack Markup	.16	.19	.23

Source: RJR Price Surveys

Pack Versus Carton Sales

- Since the mid 1980's, supermarkets have experienced an upward trend in the proportion of cigarettes sold by the pack. Pack sales volume has increased 5% in a three year time period (from 22% in 1988 to 27% in 1991).
- Supermarket share of total industry pack sales remained 18% in 1991.
- Supermarkets account for 45% of all cartons sold in the cigarette industry.

	1989	1990	1991
Pack/Carton Ratio of Supermarket Volume			
Pack	25%	27%	27%
Carton	75	73	73
Supermarket Store Share of Industry Pack/Carton			
Pack	19%	19%	18%
Carton	48	47	45

Source: RJR Purchase Pattern Reports

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Cigarette Categories

- Supermarkets are more developed than the total cigarette industry in the Ultra Low Tar, 100mm-120mm, and Non-filter categories.
- Savings brands are also highly developed in Independent supermarkets, accounting for over 30% of total volume.

Category Share of Supermarket Volume

	Chain Supermarkets		Independent Supermarkets	
	1991	Indexed to Total U.S. Food/Gas	1991	Indexed to Total U.S. Food/Gas
Non-Filter	3.4%	106	4.4%	138
Menthol	25.5	100	25.8	101
Full Flavor	35.9	92	36.3	93
Low Tar	60.6	105	59.4	103
Fuller Flavor Low Tar	42.4	99	43.0	100
Ultra Low Tar	18.2	122	16.4	110
Box	22.8	99	18.4	80
85mm	49.9	90	51.1	92
100mm-120mm	50.1	113	48.9	110
Branded Generic	12.4	105	15.4	130
Sub-Generic	3.8	60	8.8	138
Price-Off	.9	145	1.0	161
Value 25's/30's	.8	110	1.1	151
Private Label/Generic	5.9	107	6.1	111
Total Savings Price	23.8	95	32.4	129
Full Price	76.2	102	67.6	90

Source: A. C. Nielsen

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II. TOBACCO COMPANY COMPARISONS

Share

- R. J. Reynolds suffered declines in both chain supermarkets (-.8 share points) and independent supermarkets (-1.8 share points).

- Philip Morris experienced share gains in both chain and independent supermarkets.

Share of Supermarkets Sales

	Chains			Independents		
	1989	1990	1991	1989	1990	1991
R. J. Reynolds	33.8%	33.2%	32.4%	33.6%	31.7%	29.9%
Philip Morris	36.2	37.4	38.4	33.6	34.7	36.0
B&W	9.4	9.0	9.1	11.8	11.3	11.7
Lorillard	7.1	6.8	6.6	6.6	6.4	5.9
American	8.7	8.5	8.1	9.4	9.7	10.2
Liggett	4.8	5.1	5.4	5.0	6.2	

Source: A. C. Nielsen

Visual Inventory (On Carton and Pack Fixtures)

- RJR's share of visual inventory is in line with its market share, which suggests that RJR is adequately inventoried.

- Philip Morris is under-inventoried, whereas the remaining companies are somewhat over-inventoried.

Supermarket Visual Inventory Share

	Chains		Independents	
	1991	Indexed To Share	1991	Indexed To Share
R. J. Reynolds	33.1%	102	29.8%	100
Philip Morris	30.6	80	31.4	87
B&W	11.9	131	14.5	124
Lorillard	8.3	126	7.6	129
American	9.9	122	11.0	108
Liggett	6.2	115	5.7	90

Source: A. C. Nielsen

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Total Inventory

- RJR's supermarket inventory share is in line with its supermarket sales share. Philip Morris is under-inventoried, while all other companies, with the exception of Liggett, are over-inventoried.

Supermarket
Total Store Inventory Share

	Chains		Independents	
	1991	Indexed To Sales	1991	Indexed To Sales
R. J. Reynolds	32.4%	100	29.5%	99
Philip Morris	31.1	81	31.7	88
B&W	12.0	132	14.3	122
Lorillard	8.4	127	7.6	129
American	9.9	122	11.1	109
Liggett	6.2	115	5.8	92

Source: A. C. Nielsen

Days Supply

- Chain supermarkets carry a 21 day supply of RJR cigarettes and independents carry a 22 day supply. Both levels are in line with the industry's average, suggesting that RJR's inventories are at appropriate levels.
- Philip Morris is under-inventoried in chain and independent supermarkets.
- All other companies, with the exception of Liggett in Independents, are over-inventoried.

Supermarket
Days Supply

	Chains			Independents		
	1989	1990	1991	1989	1990	1991
R. J. Reynolds	19	20	21	21	21	22
Philip Morris	14	15	17	17	19	20
B&W	24	26	27	24	27	28
Lorillard	23	25	26	26	27	29
American	21	23	25	22	24	25
Liggett	26	25	24	25	22	21
Total Industry	19	20	21	21	22	23

Source: A. C. Nielsen

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III. DEMOGRAPHIC PROFILE & PURCHASE BEHAVIOR

Smoker Profile

- When compared to the demographic profile of the average cigarette buyer in the total cigarette market, supermarket buyers tend to be: female, older (50+), and with household incomes between $25,000 and $50,000.

Demographic Profile of Supermarket Cigarette Purchasers

	Supermarkets 1991	Total U.S. Smokers	Supermarket Index to U.S. Smokers
Sex			
Male	42%	52	80
Female	58	48	121
Age			
18-24	7	13	54
25-34	22	27	81
35-49	35	33	106
50+	36	27	133
Household Income			
< $15,000	24%	24%	100
$15,000-$24,999	24	25	96
$25,000-$34,999	19	19	100
$35,000-$49,999	17	17	100
$50,000+	16	15	107

Source: RJR Tracker Usual Brand by Demographics (Total U.S. Smokers)
RJR Purchase Pattern Reports (Supermarket Demographics)

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- Nearly one half (41%) of all volume purchased by smokers who are 50 or older is purchased at supermarkets.
- Almost 38% of all cigarette volume purchased by females is purchased from supermarkets, while nearly one fourth of all volume purchased by males is bought from supermarkets.

Supermarket Share of Volume Among Demographic Groups

Age	
18-20	16%
21-24	19
25-34	24
35-49	33
50+	41
Sex	
Male	25%
Female	38

Source: RJR Purchase Pattern (1991)

Purchase Patterns

- About 89% of the cigarette volume sold in convenience stores is purchased by smokers shopping for themselves. 51842 7426

% of Volume Purchased by the Smoker Versus % of Volume Purchased for the Smoker by Someone Else

Convenience Stores	
% Of volume bought for self	89%
% Of volume bought by others	11

Source: RJR Purchase Pattern (1991)

Response to Out of Stock

- When supermarket carton shoppers find their favorite brand style is out of stock, 68% will buy down to a pack and 17% will go somewhere else to buy.

Reaction to Usual Brand Style Not Available By The Carton (At Supermarkets)

% Who will buy down to a pack of the same style	68%
% Who will buy another style of the same brand	3
% Who will buy another brand	10
% Who will go somewhere else to buy	17
% Who would not buy cigarettes that day	2

- Among shoppers who elect to go to another store to purchase cigarettes, 40% would buy other items as well.

Purchase Behavior Among Supermarket Shoppers Who Would Go To Another Store To Purchase Cigarettes

% Who would buy cigarettes only	60%
% Who would buy cigarettes and other items	40

- If a shopper's store was to stop carrying their usual brand, 91% of the customers would start going to another store to purchase cigarettes.

Reaction If Usual Brand Is Discontinued By Supermarket

% Who would switch brands to continue shopping same store	9%
% Who would continue to shop for other items but would go somewhere else for cigarettes	75
% Who would switch stores altogether	16

Source: RJR Purchase Pattern (1991)

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CHAPTER 3

CONVENIENCE STORES

I. PERFORMANCE REVIEW

II. TOBACCO COMPANY COMPARISONS

III. DEMOGRAPHIC PROFILE & PURCHASE BEHAVIOR

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I. PERFORMANCE REVIEW

CONVENIENCE STORES

Cigarette Performance

- Cigarettes account for 16.7% of convenience store All Commodity Volume (excluding gas sales).
- Cigarettes are the number one in-store product category for convenience stores.
- Convenience store dollar sales of cigarettes increased from $8.3 billion in 1990 to $9.8 billion in 1991.
- The convenience store segment accounted for 22% of industry volume in 1991.
- The convenience store segment sells 2.16 billion units of volume each week, or about 192 cartons per store each week.

Cigarette Performance in the Convenience Store Industry

Convenience Stores	1989	1990	1991
Cigarette % ACV*	13.9%	15.1%	16.7%
Cigarette Retail Sales ($ Billions)	$7.8	$8.3	$9.8
Share of Cigarette Industry Volume	20%	20%	22%
Average Weekly Sales Per Store (Cartons)	189	180	192
Industry Unit Volume Per Week (Billions)	2.08	2.05	2.16

*ACV reflects 1990 performance.

Source: Convenience Store News Industry Reports, RJR Purchase Pattern Reports, RJR Price Surveys, and RJR Consumer Trend Reports

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Summary of Convenience Store Prices and Margins

	1989	1990	1991
Average Pack Price	$1.52	$1.63	$1.83
Average Carton Price	12.46	13.66	15.48
Weighted Pack Price	1.44	1.56	1.75
Pack Gross Margin	26.3%	25.2%	25.0%
Carton Gross Margin	10.0	10.8	11.9
Weighted Pack Margin	22.2	21.6	22.1
Pack Markup	$.40	$.41	$.46
Carton Markup	1.24	1.47	1.85
Weighted Pack Markup	.32	.34	.39

Source: RJR Price Surveys

Pack Versus Carton Sales

- The pack/carton ratio of total convenience store volume was 76%/24% in 1991.
- The convenience industry's share of the cigarette industry's pack volume increased from 32% in 1990 to 36% in 1991.

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	1989	1990	1991
Pack/Carton Ratio of Convenience Store Volume			
Pack	70%	75%	76%
Carton	30	25	24
Convenience Store Share of Industry Pack/Carton Volume			
Pack	32%	32%	36%
Carton	11	10	10

Source: RJR Purchase Pattern Reports

Cigarette Categories

- Convenience stores are most highly developed in the Full Flavor, Box and 85mm categories.
- With the exception of Sub-Generic brands, all price tiers in the Savings segment are underdeveloped in convenience stores. Despite current low development, the savings segment is the most rapidly growing segment in convenience stores.

Category Share of Convenience Store Volume

	1991	Indexed to Total U.S.
Non-Filter	2.1%	64
Menthol	25.0	98
Full Flavor	42.7	109
Low Tar	55.2	96
Fuller Flavor Low Tar	42.9	100
Ultra Low Tar	12.3	83
Box	29.7	129
85mm	60.4	109
100-120mm	39.5	89
Branded Discount	9.9	83
Sub-Generic	7.5	118
Price Off	.4	63
Value 25/30	.3	42
Black & White/Private Label	3.8	69
Total Savings	21.9	87
Full Price	78.1	104

Source: A. C. Nielsen

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II. TOBACCO COMPANY COMPARISONS

Share

- RJR's convenience store share was 26.2% in 1991, 1.9 share points lower than in 1990.

- American was the only company to experience a noticeable gain in convenience store share in 1990.

Share of Convenience Store Sales

	1989	1990	1991
R. J. Reynolds	29.0%	28.1%	26.2%
Philip Morris	48.0	48.6	48.8
B&W	9.7	9.5	9.8
Lorillard	7.2	7.1	6.8
American	4.7	5.0	6.4
Liggett	1.4	1.7	2.0

Source: A. C. Nielsen

Visual Inventory (On Carton and Pack Fixtures)

- RJR's share of visual inventory and sales share are closely matched at about 27.0% and 26.2%, respectively, indicating generally appropriate store inventory levels.

- Philip Morris' visual inventory share remains low relative to share of market (37.4% to 48.8%, respectively).

- All remaining companies have higher inventory shares than market shares.

Visual Inventory Share (Convenience Stores)

	1991	Indexed to Market Share
R. J. Reynolds	27.0%	103
Philip Morris	37.4	77
B&W	16.4	167
Lorillard	7.9	116
American	8.6	134
Liggett	2.7	135

Source: A. C. Nielsen

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Total Inventory

- R. J. Reynolds' total inventory share and sales share are closely matched at about 27.5% and 26.2%, respectively, indicating appropriate store inventory levels.
- Philip Morris continues to remain under-inventoried with an inventory share that is about 9.4 share points below market share.
- All other companies were noticeably over-inventoried in 1991.

Total Inventory Share (Convenience Stores)

	1991	Indexed to Market Share
R. J. Reynolds	27.5%	105
Philip Morris	39.4	81
B&W	14.3	146
Lorillard	7.9	116
American	8.1	127
Liggett	2.8	140

Source: A. C. Nielsen

Days Supply

- The average convenience store carries a 26 day supply of RJR cigarettes.
- Philip Morris maintains the lowest inventory level in the industry at 20 days. The total industry carries a range of about 4 to 5 weeks of inventory.

Days Supply (Convenience Stores)

	1989	1990	1991
R. J. Reynolds	26	26	26
Philip Morris	21	20	20
B&W	40	40	36
Lorillard	31	30	29
American	38	38	32
Liggett	49	40	35
Total Industry	26	26	25

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Source: A. C. Nielsen

III. DEMOGRAPHIC PROFILE & PURCHASE BEHAVIOR

Smoker Profile

- When compared to the average cigarette buyer, convenience store cigarette buyers tend to be more often male and adults, 18-34 years old.
- Although 27% of all smokers are 50+ years of age, only 13% of the convenience store cigarette purchasers are 50+.

Demographic Profile of Convenience Store Cigarette Purchasers

	Convenience Stores 1991	Total U.S. Smokers	Convenience Store Index to U.S. Smokers
Sex			
Male	63%	52%	121
Female	37	48	77
Age			
18-24	19	13	146
25-34	36	27	133
35-49	32	33	97
50+	13	27	48
Household Income			
< $15,000	23%	24%	96
$15,000-$24,999	26	25	104
$25,000-$34,999	19	19	100
$35,000-$49,999	17	17	100
$50,000+	15	15	100

Source: RJR Tracker Profile and Share Data (Total U.S. Smokers)
RJR Purchase Pattern Reports (Convenience Store Demographics)

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- Over one-third of all the cigarette volume purchased by 18-24 year old smokers is bought at convenience stores.
- Convenience stores account for about 30% of all the volume purchased by 25-34 year olds.
- Over one fourth of all cigarettes purchased by males are bought at convenience stores.

Convenience Store Share of Volume Among Demographic Groups

Age	
18-20	36%
21-24	36
25-34	30
35-49	22
50+	11
Sex	
Male	28%
Female	18

Source: RJR Purchase Pattern (1991)

Purchase Patterns

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- About 94% of the cigarette volume sold in convenience stores is purchased by smokers shopping for themselves.

% of Volume Purchased by the Smoker Versus % of Volume Purchased for the Smoker by Someone Else

Convenience Stores	
% Of volume bought for self	94%
% Of volume bought by others	6

Source: RJR Purchase Pattern (1991)

Response to Out of Stock

- When convenience store customers who purchase cigarettes only by the pack find their usual brand style is out of stock, almost half (45%) will choose to walk out of the store without purchasing cigarettes.

Convenience Store Pack Purchasers'
Reaction to Usual Brand Style Not Available By The Pack

% Who will buy another style of the same brand	20%
% Who will buy another brand	35
% Who will go somewhere else to buy	38
% Who would not buy cigarettes that day	7

- Among shoppers who elect to go to another store to purchase cigarettes, 40% would buy other items as well.

Purchase Behavior Among Convenience Store Shoppers
Who Would Go To Another Store To Purchase Cigarettes

% Who would buy cigarettes only	60%
% Who would buy cigarettes and other items	40

- If a shopper's store was to stop carrying their usual brand, 91% of the customers would start going to another store to purchase cigarettes.

Reaction If Usual Brand Is Discontinued By Convenience Store

% Who would switch brands to continue shopping same store	9%
% Who would continue to shop for other items but would go somewhere else for cigarettes	58
% Who would switch stores altogether	33

Source: RJR Purchase Pattern (1991)

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Chapter 4
Small Food Stores

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CHAPTER 4

SMALL FOOD STORES

I. PERFORMANCE REVIEW

II. TOBACCO COMPANY COMPARISONS

III. DEMOGRAPHIC PROFILE & PURCHASE BEHAVIOR

51842 7442

I. PERFORMANCE REVIEW

SMALL FOOD STORES

Cigarette Performance

- Total small food dollar sales of cigarettes have remained strong with sales reaching \$3.5 billion in 1991 - down slightly over 1990.
- The average weekly sales per store in 1991 was estimated to be 68 cartons.
- Less than 1 billion cigarettes are sold weekly in small food stores across the United States.
- 1991 small food share of U.S. cigarette volume was 8%, down 1% from 1990, probably due to a decline in store count.

Cigarette Performance Among Small Food Stores

Small Food Stores	1989	1990	1991
Cigarette Retail Sales (\$ Billions)	\$3.4	\$3.6	\$3.5
Share of Cigarette Industry Volume	9%	9%	8%
Average Weekly Sales Per Store (Cartons)	77	76	68
Industry Unit Volume Per Week (Billions)	0.96	0.90	.79

Source: RJR Purchase Pattern Reports, RJR Price Surveys, RJR Consumer Trend Reports

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Summary of Small Food Store Prices and Margins

	1989	1990	1991
Average Pack Price	$1.45	$1.61	$1.81
Average Carton Price	12.62	14.18	15.95
Weighted Pack Price	1.36	1.53	1.72
Pack Gross Margin	22.8%	24.1%	24.6%
Carton Gross Margin	11.1	14.1	14.5
Weighted Pack Margin	17.6	20.1	20.7
Pack Markup	$.33	$.39	$.44
Carton Markup	1.40	2.00	2.32
Weighted Pack Markup	.24	.31	.36

Source: RJR Price Surveys

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Pack Versus Carton Sales

- The percentage of pack sales in small food stores was 57% in 1991.
- In 1991, small food stores accounted for 10% of all pack sales and 7% of all carton sales.

	1989	1990	1991
Pack/Carton Ratio of Small Food Store Volume			
Pack	52%	59%	57%
Carton	48	41	43
Small Food Store Share of Industry Pack/Carton Volume			
Pack	11%	11%	10%
Carton	8	7	7

Source: RJR Purchase Pattern Reports

Cigarette Categories

- With the exception of under-development among Ultra Low Tar products, small food stores have an average development for all the major cigarette categories.
- The total savings segment has an average development overall; however, Sub-Generics are over-developed and price off brands under-developed.

Category Share of Small Food Store Volume

	1991	Indexed to Total U.S.
Non-Filter	3.6%	112
Menthol	25.0	98
Full Flavor	42.4	109
Low Tar	53.9	93
Fuller Flavor Low Tar	41.6	97
Ultra Low Tar	12.3	83
Box	21.9	95
85mm	59.2	106
100mm-120mm	40.7	92
Branded Generics	11.9	101
Sub-Generics	8.1	127
Price Off	.4	65
Value 25/30	.7	100
Generic/Private Label	5.6	102
Total Savings	26.7	107
Full Price	73.3	98

Source: A. C. Nielsen

Note: Indexes are also based on A. C. Nielsen Data

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II. TOBACCO COMPANY COMPARISONS

Share

- RJR's 1991 share of small food sales declined about 2.5 share points versus year ago.

- The only company to experience a substantial share gain was Philip Morris (+2.6 share points).

Share of Small Food Store Sales

	1989	1990	1991
R. J. Reynolds	32.7%	30.3%	27.8%
Philip Morris	39.9	41.2	43.8
B&W	11.2	11.4	11.7
Lorillard	6.7	6.9	6.3
American	6.5	6.8	7.1
Liggett	3.0	3.4	3.3

Source: A. C. Nielsen

Visual Inventory (On Carton and Pack Fixtures)

- RJR's share of visual inventory is in line with its market share, which suggests that RJR is adequately inventoried.

- Philip Morris remains under-inventoried with a market share of 43.8% versus a visual inventory share of 35.0%.

- All remaining companies have visual inventory share substantially greater than their small food market share.

Visual Inventory Share (Small Food Stores)

	1991	Indexed to Market Share
R. J. Reynolds	29.5%	106
Philip Morris	35.0	80
B&W	15.4	132
Lorillard	7.4	117
American	8.8	124
Liggett	3.9	118

Source: A. C. Nielsen

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Total Inventory

- RJR's share of total inventory in small food stores (29.6%) is in line with market share (27.8%).
- With the exceptions of Philip Morris and RJR, all remaining companies are well over-inventoried.

Total Inventory Share (Small Food Stores)

	1991	Indexed to Market Share
R. J. Reynolds	29.6%	106
Philip Morris	36.5	83
B&W	14.5	124
Lorillard	7.4	117
American	8.3	117
Liggett	3.7	112

Source: A. C. Nielsen

Days Supply

- In 1991, small food stores carried a 27-day supply of RJR cigarettes, while the industry average was 25 days. This suggests that RJR is adequately inventoried in small food stores.

Days Supply (Small Food Stores)

	1989	1990	1991
R. J. Reynolds	24	25	27
Philip Morris	20	20	21
B&W	31	31	31
Lorillard	30	29	29
American	30	30	29
Liggett	32	27	28
Total Industry	25	24	25

Source: A. C. Nielsen

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III. DEMOGRAPHIC PROFILE & PURCHASE BEHAVIOR

Smoker Profile

- When compared with the average cigarette buyer, small food store purchasers tend to have lower household incomes (less than $15,000 per year).
- The ratio of male to female cigarette purchasers in small food stores was 51% to 49% in 1991; this is in line with the profile of total smokers in the U.S.

Demographic Profile of Small Food Store Cigarette Purchasers

	Small Food Stores 1991	Total U.S. Smokers	Small Food Store Index to U.S. Smokers
Sex			
Male	51%	52%	98
Female	49	48	102
Age			
18-24	12%	13%	92
25-34	29	27	107
35-49	34	33	103
50+	25	27	93
Household Income			
< $15,000	34%	24%	142
$15,000-$24,999	26	25	104
$25,000-$34,999	18	19	95
$35,000-$49,999	13	17	76
$50,000+	9	15	60

Source: RJR Tracker Profile and Share Data (Total U.S. Smokers)
RJR Purchase Pattern Report (Small Food Store Demographics)

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- In 1991, small food stores accounted for 8% to 9% of the volume sold to each of the following demographic groups.

Small Food Share of Volume
Among Demographic Groups

Age	
18-20	8%
21-24	8
25-34	9
35-49	9
50+	8
Sex	
Male	8%
Female	9

Source: RJR Purchase Pattern (1991)

51842 7452

Purchase Patterns

- About 93% of the cigarette volume sold in small food stores is purchased by smokers shopping for themselves.

% of Volume Purchased by the Smoker Versus
% of Volume Purchased for the Smoker by Someone Else

Small Food Stores	
% Of volume bought for self	93%
% Of volume bought by others	7

Source: RJR Purchase Pattern (1991)

Response to Out of Stock

- When small food store shoppers who buy cigarettes only by the pack find their usual brand style is out of stock, almost half (49%) will choose to walk out of the store without purchasing cigarettes.

Small Food Store Pack Purchasers' Reaction to Usual Brand Style Not Available By The Pack	
% Who will buy another style of the same brand	18%
% Who will buy another brand	33
% Who will go somewhere else to buy	39
% Who would not buy cigarettes that day	10

- Among shoppers who elect to go to another store to purchase cigarettes, 39% would buy other items as well.

Purchase Behavior Among Small Food Shoppers Who Would Go To Another Store To Purchase Cigarettes	
% Who would buy cigarettes only	61%
% Who would buy cigarettes and other items	39

- If a shopper's store was to stop carrying their usual brand, 86% of the customers would start going to another store to purchase cigarettes.

Reaction If Usual Brand Is Discontinued By Small Food Store	
% Who would switch brands to continue shopping same store	14%
% Who would continue to shop for other items but would go somewhere else for cigarettes	67
% Who who switch stores altogether	19

Source: RJR Purchase Pattern (1991)

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CHAPTER 5

GAS STORES

51842 7455

I. PERFORMANCE REVIEW

GAS STORES

Cigarette Performance

- Cigarettes account for almost 26% of gas stores ACV (excluding gasoline sales). With the exception of gasoline, cigarettes contribute more to total gas store sales than any other single product category.
- Total gas store dollar sales of cigarettes remain strong. Dollar sales in 1991 reached $4.8 billion, an increase of about 6.7% in dollar sales over last year.
- The 1991 gas store share of total U.S. cigarette volume was down slightly versus 1990 (11% versus 12%, respectively).
- Average weekly number of cartons sold per outlet (102) is down slightly over previous years.
- More than 1 billion cigarettes are sold weekly in gas stores across the nation.

Cigarette Performance In The Gas Store Industry

	1989	1990	1991
Cigarette % ACV*	18.8%	23.2%	25.8%
Cigarette Retail Sales ($ Billions)	$4.1	$4.5	$4.8
Share of Cigarette Industry Volume	11%	12%	11%
Average Weekly Sales Per Outlet (Cartons)	106	109	102
Industry Unit Volume Per Week (Billions)	1.14	1.15	1.08

*ACV reflects 1990 performance.

Source: Convenience Store News, RJR Purchase Pattern Reports, RJR Price Surveys, RJR Consumer Trend Reports

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Summary of Gas Store Prices and Margins

	1989	1990	1991
Average Pack Price	$1.42	$1.56	$1.75
Average Carton Price	12.63	13.87	15.65
Weighted Pack Price	1.38	1.51	1.70
Pack Gross Margin	21.1%	21.6%	22.1%
Carton Gross Margin	11.2	12.1	12.9
Weighted Pack Margin	18.8	19.0	19.7
Pack Markup	$.30	$.34	$.39
Carton Markup	1.41	1.68	2.02
Weighted Pack Markup	.26	.29	.33

Source: RJR Price Surveys

Pack Versus Carton Sales

- The proportion of cigarettes sold by the pack in gas stores increased to 73% in 1991.
- Gas store share of total industry pack sales decreased slightly in 1991 to 17%.
- In 1991 gas stores accounted for 6% of the industry's carton sales.

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	1989	1990	1991
Pack/Carton Ratio of Gas Store Volume			
Pack	70%	72%	73%
Carton	30	28	27
Gas Store Share of Industry Pack/Carton Volume			
Pack	17%	18%	17%
Carton	6	6	6

Source: RJR Purchase Pattern

Cigarette Categories

- The majority of the cigarette categories in the gas store industry have about average development. The only category that is overdeveloped is the 85mm. Three key categories are underdeveloped - Ultra Low Tar, 100mm-120mm, and Branded Discount.

- The fastest growing segment among service station is the Savings.

Category Share of Gas Store Volume

	1991	Indexed to Total U.S.
Non-Filter	2.6%	80
Menthol	26.3	103
Full Flavor	40.1	103
Low Tar	57.3	99
Fuller Flavor Low Tar	44.3	103
Ultra Low Tar	13.0	87
Box	23.4	102
85mm	60.7	109
100-120mm	37.3	84
Branded Discount	10.0	85
Sub-Generic	6.4	101
Price Off	.3	48
Value 25/30	.6	89
Black & White/Private Label	5.5	100
Total Savings	22.9	91
Full Price	77.1	103

Source: A. C. Nielsen

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II. TOBACCO COMPANY COMPARISONS

Share

- RJR's 1991 gas store share was 28.4%.
- As a result of Marlboro's strong performance in gas stores, Philip Morris' 1991 share of gas store volume was 47.4%.

Share of Gas Store Sales

	1991
R. J. Reynolds	28.4%
Philip Morris	47.4
B&W	10.4
Lorillard	6.0
American	5.6
Liggett	2.2

Source: A. C. Nielsen

Visual Inventory (On Carton and Pack Fixtures)

- RJR's visual inventory share is in line with sales share. Philip Morris' visual inventory share is about 10.5 share points below sales share. The remaining manufacturers are well over-inventoried.

Gas Stores
Visual Inventory Share

	1991	Indexed to Sales
R. J. Reynolds	29.8%	105
Philip Morris	36.9	78
B&W	14.0	135
Lorillard	8.0	133
American	8.0	143
Liggett	3.3	150

Source: A. C. Nielsen

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Total Inventory

- RJR is slightly over-inventoried compared with sales share (30.8 and 28.4, respectively).

- Philip Morris is under-inventoried compared with sales share (37.9% inventory share versus 47.4% sales share).

Gas Store
Total Inventory Share

	1991	Indexed to Share
R. J. Reynolds	30.8%	108
Philip Morris	37.9	80
B&W	13.2	127
Lorillard	7.5	125
American	7.4	132
Liggett	3.2	145

Source: A. C. Nielsen

Days Supply

- The average gas store carries a 26 day supply of RJR cigarettes. This is in line with the industry average.

- Philip Morris is under-inventoried with a 19-day supply.

Gas Store
Days Supply

	1991
R. J. Reynolds	26
Philip Morris	19
B&W	30
Lorillard	30
American	31
Liggett	33
Total Industry	24

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Source: A. C. Nielsen

III. DEMOGRAPHIC PROFILE & PURCHASE BEHAVIOR

Smoker Profile

- When compared to the demographic profile of the average cigarette buyer in the total cigarette market, gas store buyers are more likely to be adult males between the age of 18-34.

Demographic Profile of Gas Store Cigarette Purchasers

	Gas Stores 1991	Total U.S. Smokers	Gas Stores Index to U.S. Smokers
Sex			
Male	62%	52%	119
Female	38	48	79
Age			
18-24	20%	13%	154
25-34	32	27	119
35-49	31	33	94
50+	17	27	63
Household Income			
< \$15,000	25%	24%	104
\$15,000-\$24,999	24	25	96
\$25,000-\$34,999	20	19	105
\$35,000-\$49,999	17	17	100
\$50,000+	14	15	93

Source: RJR Tracker Profile and Share Data (Total U.S. Smokers)
RJR Purchase Pattern Reports (Gas Store Demographics)

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- In 1991, gas stores accounted for 22% of the volume sold to18-20 year olds and 17% of the volume sold to 21-24 year olds. In comparison, gas stores accounted for 11% of the volume sold to the total market.
- Gas stores accounted for 14% of the volume sold to males and 9% of the volume sold to females in 1991.

Gas Store Share of Volume
Among Demographic Groups

Age	
18-20	22%
21-24	17
25-34	14
35-49	11
50+	7
Sex	
Male	14%
Female	9

Source: RJR Purchase Pattern (1991)

Purchase Patterns

- About 95% of the cigarette volume sold in gas stores is purchased by smokers shopping for themselves.

% of Volume Purchased by the Smoker Versus
% of Volume Purchased for the Smoker by Someone Else

Gas Stores	
% Of volume bought for self	95%
% Of volume bought by others	5

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Source: RJR Purchase Pattern (1991)

Response to Out of Stock

- When those gas store customers who buy cigarettes only by the pack find their usual brand style is out of stock, over half (53%) will choose to walk out of the store without purchasing cigarettes.

Gas Store Purchasers'
Reaction to Usual Brand Style Not Available By The Pack

% Who will buy another style of the same brand	17%
% Who will buy another brand	30
% Who will go somewhere else to buy	44
% Who would not buy cigarettes that day	9

- Among those shoppers who elect to go to another store to purchase cigarettes, 34% would buy other items as well.

Purchase Behavior Among Gas Store Purchasers
Who Would Go To Another Store To Purchase Cigarettes

% Who would buy cigarettes only	66%
% Who would buy cigarettes and other items	34

- If the gas store was to stop carrying their usual brand, 92% of the customers would start going to another store to purchase cigarettes.

Reaction If Usual Brand Is Discontinued By Gas Store

% Who would switch brands to continue shopping same store	8%
% Who would continue to shop for other items but would go somewhere else for cigarettes	63
% Who would switch stores altogether	29

Source: RJR Purchase Pattern (1991)

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Chapter 6
Drug Stores

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CHAPTER 6

DRUG STORES

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I. PERFORMANCE REVIEW

DRUG STORES

Cigarette Performance

- Cigarettes continue to be a top product category in the drug store industry, accounting for 5.9% of drug store ACV.
- Total drug store dollar sales of cigarettes have remained strong. Dollar sales in 1991 were $2.5 billion.
- The drug store share of total U.S. cigarette volume remained at 6% in 1991.
- The average weekly cigarette sales (cartons) per store declined slightly in 1991, to 53 cartons per week.
- About .58 billion cigarettes are sold weekly in drug stores across the nation.

Cigarette Performance in the Drug Store Industry

Drug Stores	1989	1990	1991
Cigarette % ACV*	4.4%	6.2%	5.9%
Cigarette Retail Sales ($ Billions)	$2.2	$2.4	$2.5
Share of Cigarette Industry Volume	6%	6%	6%
Average Weekly Sales Per Store (Cartons)	59	59	53
Industry Unit Volume Per Week (Billions)	.64	.64	.58

*ACV reflects 1990 performance.

Source: Drug Store News, RJR Purchase Pattern Reports, RJR Price Surveys, RJR Consumer Trend Reports

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Summary of Drug Store Prices and Margins

	1989	1990	1991
Average Pack Price	$1.42	$1.57	$1.77
Average Carton Price	12.42	13.78	15.67
Weighted Pack Price	1.30	1.45	1.65
Pack Gross Margin	21.1%	22.4%	23.1%
Carton Gross Margin	9.7	11.6	13.0
Weighted Pack Margin	13.8	16.0	17.2
Pack Markup	$.30	$.35	$.41
Carton Markup	1.20	1.60	2.04
Weighted Pack Markup	.18	.23	.29

Source: RJR Price Surveys

Pack Versus Carton Sales

- Drug stores are a carton oriented outlet, with 62% of their volume sold by the carton in 1991.
- Drug store share of total industry pack volume held at 5% in 1991.

	1989	1990	1991
Pack/Carton Ratio of Drug Store Volume			
Pack	37%	39%	38%
Carton	63	61	62
Drug Store Share of Industry Pack/Carton Volume			
Pack	5%	5%	5%
Carton	7	8	7

Source: RJR Purchase Pattern Reports

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Cigarette Categories

- In comparison with the total cigarette industry, drug stores are highly developed in the Non-Filter, Ultra Low Tar, and 100mm+ categories.

Category Share of Drug Store Volume

	1991	Indexed to U.S.
Non-Filter	5%	132
Menthol	29	114
Full Flavor	34	86
Low Tar	60	109
Fuller Flavor Low Tar	41	100
Ultra Low Tar	19	137
Box	25	95
85mm	43	85
100mm-120mm	51	118
Total Savings Price	21	103
Full Price	79	100

Source: RJR Purchase Pattern (1991)

Note: Index is also based on Purchase Pattern data.

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II. TOBACCO COMPANY COMPARISONS

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Share

- Philip Morris outperforms all other companies in the drug store sector, accounting for nearly 36% of all cigarette sales.

Share of Drug Store Sales

	1991
R. J. Reynolds - Branded	28%
Philip Morris - Branded	36
B&W - Branded	8
Lorillard - Branded	9
American - Branded	11
Liggett - Branded	4
Generics/PL	5

Source: RJR Purchase Pattern (1991)

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III. DEMOGRAPHIC PROFILE & PURCHASE BEHAVIOR

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Smoker Profile

- When compared to the demographic profile of the average cigarette buyer in the total cigarette market, drug store buyers have a higher likelihood of being older (50+), and female.
- Although only 27% of total U.S. smokers are age 50 or over, 41% of all drug store cigarette purchasers are 50 years of age or older.

Demographic Profile of Drug Store Cigarette Purchasers

	Drug Stores 1991	Total U.S. Smokers	Drug Store Index to U.S. Smokers
Sex			
Male	42%	52%	81
Female	58	48	121
Age			
18-24	7	13	54
25-34	18	27	67
35-49	34	33	103
50+	41	27	152
Household Income			
< $15,000	26%	24%	108
$15,000-$24,999	23	25	92
$25,000-$34,999	18	19	95
$35,000-$49,999	17	17	100
$50,000+	16	15	107

Source: RJR Tracker Profile and Share Data (Total U.S. Smokers)
RJR Purchase Pattern Reports (Drug Store Demographics)

51842 7476

- Approximately 9% of the volume purchased by smokers 50 and over is purchased in drug stores. In comparison, only 3% of the volume purchased by 18-24 year old smokers is from drug outlets.
- Drug outlets account for almost 5% of the volume purchased by males and almost 8% of the volume purchased by females.

Drug Store Share of Volume
Among Demographic Groups

Age	
18-20	3%
21-24	3
25-34	4
35-49	6
50+	9
Sex	
Male	5%
Female	8

Source: RJR Purchase Pattern (1991)

Purchase Patterns

- Of the cigarette volume sold in drug stores, 91% is purchased by smokers shopping for themselves.

% of Volume Purchased by the Smoker Versus
% of Volume Purchased for the Smoker by Someone Else

Drug Stores	
% Of volume bought for self	91%
% Of volume bought by others	9

51842 7477

Source: RJR Purchase pattern (1991)

Response to Out of Stock

- When drug store carton shoppers find their favorite brand style is out of stock, 68% will buy down to a pack and 16% will go somewhere else to buy.

Drug Store Purchasers' Reaction to Usual Brand Style Not Available By The Carton	
% Who will buy down to a pack of the same style	68%
% Who will buy another style of the same brand	5
% Who will buy another brand	8
% Who will go somewhere else to buy	16
% Who would not buy cigarettes that day	3

- Among shoppers who elect to go to another store to purchase cigarettes, 41% will buy other items as well.

Purchase Behavior Among Drug Store Purchasers Who Would Go To Another Store To Purchase Cigarettes	
% Who would buy cigarettes only	59%
% Who would buy cigarettes and other items	41

- If a shopper's drug store was to stop carrying their usual brand, 92% of the customers would start going to another store to purchase cigarettes.

Reaction If Usual Brand Is Discontinued By Drug Store	
% Who would switch brands to continue shopping same store	8%
% Who would continue to shop for other items but would go somewhere else for cigarettes	69
% Who who switch stores altogether	23

51842 7478

Source: RJR Purchase Pattern (1991)

CHAPTER 7

DISCOUNT STORES

I.	PERFORMANCE REVIEW
II.	TOBACCO COMPANY COMPARISONS
III.	DEMOGRAPHIC PROFILE & PURCHASE BEHAVIOR

51842 7480

I. PERFORMANCE REVIEW

DISCOUNT STORES

Cigarette Performance

- In 1991, cigarettes percent of discount store ACV remained stable at 1.2%.
- Total discount store dollar sales of cigarettes increased to $1.9 billion in 1991.
- The Discount Store share of total U.S. cigarette volume remained stable at 5% in 1991.
- Average weekly cigarette sales (cartons) were 262 in 1991, up from 1990's level of 246 cartons/week.
- Approximately .49 billion cigarettes are sold weekly in discount stores across the nation; up from .46 in 1990.

Cigarette Performance in the Discount Store Industry

Discount Stores	1989	1990	1991
Cigarette % ACV*	0.8%	1.2%	1.2%
Cigarette Retail Sales ($ Billions)	$1.4	$1.7	$1.9
Share of Cigarette Industry Volume	4%	5%	5%
Average Weekly Sales Per Store (Cartons)	225	246	262
Industry Unit Volume Per Week (Billions)	.42	.46	.49

*ACV reflects 1990 performance.

Source: Discount Merchandiser, RJR Annual Purchase Pattern Reports, RJR Price Surveys, RJR Consumer Trend Reports

51842 7482

Summary of Discount Store Prices and Margins

	1989	1990	1991
Average Pack Price	$1.39	$1.54	$1.74
Average Carton Price	12.12	13.61	15.38
Weighted Pack Price	1.24	1.39	1.56
Pack Gross Margin	19.4%	20.6%	21.6%
Carton Gross Margin	7.4	10.4	11.3
Weighted Pack Margin	9.7	12.0	12.6
Pack Markup	$.27	$.32	$.38
Carton Markup	.90	1.42	1.75
Weighted Pack Markup	.12	.17	.20

Source: RJR Price Surveys

Pack Versus Carton Sales

- Discount Stores have the lowest proportion of pack to carton sales in the industry at 12% / 88%.
- Discount Store share of cigarette industry pack sales has held steady in the past several years at approximately 1%, while they account for about 9% of industry on carton sales.

	1989	1990	1991
Pack/Carton Ratio of Discount Store Volume			
Pack	15%	11%	12%
Carton	85	89	88
Discount Store Share of Industry Pack/Carton Volume			
Pack	1%	1%	1%
Carton	7	8	9

Source: RJR Purchase Pattern Reports

51842 7483

Cigarette Categories

- Non-Filter, Ultra Low Tar, 100mm+ and Savings brands account for a much higher proportion of sales in discount stores than they do in the total industry. This reflects the demographic profile of the outlet which tends to skew female and older smokers.

Category Share of Discount Store Volume

	1991	Indexed to U.S.
Non-Filter	5%	132
Menthol	24	94
Full Flavor	36	91
Low Tar	58	106
Fuller Flavor Low Tar	39	95
Ultra Low Tar	19	137
Box	20	76
85mm	40	79
100mm-120mm	54	124
Total Savings Price	25	123
Full Price	75	95

Source: RJR Purchase Pattern (1991)

Note: Index is also based on Purchase Pattern data.

51842 7484

II. TOBACCO COMPANY COMPARISONS

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Share

- R. J. Reynolds outperforms all other companies in the Discount Store sector, accounting for about 35% of all cigarette sales.
- Philip Morris ranks second with a 31% share. All remaining companies have individual share levels ranging from 4% to 9%.

Share of Discount Store Sales

	1991
R. J. Reynolds - Branded	34%
Philip Morris - Branded	31
B&W - Branded	9
Lorillard - Branded	7
American - Branded	8
Liggett - Branded	4
Generics/PL	7

Source: RJR Purchase Pattern (1991)

51842 7486

III. DEMOGRAPHIC PROFILE & PURCHASE BEHAVIOR

51842 7487

Smoker Profile

- When compared with the demographic profile of the average cigarette buyer in the total market, Discount Store cigarette buyers tend to be female and older (50+).

Demographic Profile of Discount Store Cigarette Purchasers

	Discount Stores 1991	Total U.S. Smokers	Discount Store Index to U.S. Smokers
Sex			
Male	41%	52%	78
Female	59	48	123
Age			
18-24	6	13	46
25-34	17	27	63
35-49	34	33	103
50+	43	27	159
Household Income			
< $15,000	22%	24%	92
$15,000-$24,999	24	25	96
$25,000-$34,999	20	19	105
$35,000-$49,999	17	17	100
$50,000+	17	15	113

Source: RJR Tracker Profile and Share Data (Total U.S. Smokers)
RJR Purchase Pattern Reports (Discount Store Demographics)

51842 7488

- About 7% of the total volume purchased by those over 50 years of age is bought in Discount Stores.
- Discount stores account for 4% of the total volume purchased by males and 6% of the total volume purchased by females.

Discount Store Share of
Volume Among Demographic Groups

Age	
18-20	2%
21-24	2
25-34	3
35-49	5
50+	7
Sex	
Male	4%
Female	6

Source: RJR Purchase Pattern (1991)

51842 7489

Purchase Patterns

- About 89% of the volume sold in Discount Stores is purchased by smokers shopping for themselves.

% of Volume Purchased by the Smoker Versus
% of Volume Purchased for the Smoker by Someone Else

Discount Store	
% Of volume bought for self	89%
% Of volume bought by others	11

Source: RJR Purchase Pattern (1991)

Response to Out of Stock

- When Discount Store carton shoppers find their favorite brand style is out of stock, 61% will buy down to pack and 17% will go somewhere else to buy cigarettes.

Discount Store Purchasers Reaction to Usual Brand Style Not Available By The Carton	
% Who will buy down to a pack of the same style	61%
% Who will buy another style of the same brand	5
% Who will buy another brand	12
% Who will go somewhere else to buy	17
% Who would not buy cigarettes that day	5

Source: RJR Purchase Pattern (1991)

- Among Discount Store shoppers who elect to go to another store to purchase cigarettes, 56% will buy other items as well.

Purchase Behavior Among Discount Store Purchasers Who Would Go To Another Store To Purchase Cigarettes	
% Who would buy cigarettes only	44%
% Who would buy cigarettes and other items	56

Source: RJR Purchase Pattern (1991)

- If a shopper's Discount Store was to stop carrying their usual brand, 89% of the customers would start going to another store to purchase cigarettes.

Reaction If Usual Brand Is Discontinued By Discount Store	
% Who would switch brands to continue shopping same store	11%
% Who would continue to shop for other items but would go somewhere else for cigarettes	69
% Who would switch stores altogether	20

Source: RJR Purchase Pattern (1991)

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Chapter 8
Membership Clubs

51842 7491

CHAPTER 8

MEMBERSHIP CLUBS

51842 7492

I. OVERVIEW

MEMBERSHIP CLUBS

- Tobacco accounted for about 1.7% of membership club ACV in 1990.
- Membership Clubs' revenues (sales and fees) reached $27.4 million in 1991, an increase of 34.7% over 1990.
- Market is dominated by 5 major chains: Sam's Clubs, Price Clubs, Costco Wholesale, Pace Membership Warehouse, and BJ's Wholesale Club.
- The number of stores increased from 505 in 1990 to 621 stores in 1991, up almost 23%.
- Store units are projected to increase to 716 stores in 1992.
- Price is the reason for shoppers patronizing the clubs.
- Groceries, foods, alcoholic beverages, candy, and tobacco has grown from 40% to 50% of club sales and is expected to rise further.
- Consumer members represent 30%-40% of total club sales, while wholesale members represent 60%-70% of sales.

Progressive Grocer, February 1991
Discount Store News, March 2, 1992
Supermarket Business, January 1992

Cigarette Categories

- Full Flavor, Box, Black & White/PL categories account for a much higher proportion of membership club sales than they do in the total industry.

Category Share of Membership Club Sales

	1991	Indexed to U.S.
Non-Filter	3.9%	105
Menthol	22.5	87
Full Flavor	45.4	107
Low Tar	50.6	94
Fuller Flavor Low Tar	37.8	92
Ultra Low Tar	12.8	100
Box	30.6	121
85mm	56.1	97
100-120mm	43.9	105
Branded Discount	6.8	64
Sub-Generic	6.0	88
Price Off	.3	75
Value 25/30	.3	60
Black & White/Private Label	9.5	147
Total Savings	22.9	92
Full Price	77.1	103

Source: MSA

Note: Indexes are also based on MSA data

51842 7495

II. TOBACCO COMPANY COMPARISONS

Share

- RJR's membership club share was 25.9% in 1991, .7 share points lower than 1990.
- Philip Morris' share continues to decline in membership clubs, down .9 share points to 45.0%.
- B&W and ATC are the only companies to experience a noticeable gain in share for 1991.

	1989	1990	1991
R. J. Reynolds	25.6%	26.6%	25.9%
Philip Morris	46.9	45.9	45.0
B&W	12.0	11.6	13.2
Lorillard	6.3	6.4	6.2
ATC	6.7	7.1	7.7
Liggett	2.5	2.4	1.9

Source: MSA

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Chapter 9
Liquor Stores

51842 7498

CHAPTER 9

LIQUOR STORES

I.	PERFORMANCE REVIEW
II.	DEMOGRAPHIC PROFILE & PURCHASE BEHAVIOR

I. PERFORMANCE REVIEW

LIQUOR STORES

CIGARETTE PERFORMANCE

- Total liquor store dollar sales of cigarettes increased to about $1.2 billion in 1991.
- In 1991, the liquor store industry claimed about 3% of the cigarette industry volume.
- The average per store volume in liquor stores was approximately 53 cartons per week in 1991.
- Approximately 271 million cigarettes are sold weekly in liquor stores.

Cigarette Performance in the Liquor Store Industry

Liquor Stores	1989	1990	1991
Cigarette Retail Sales ($ Billions)	$0.8	$1.0	$1.2
Share of Cigarette Industry Volume	2%	3%	3%
Average Weekly Sales Per Store (Cartons)	43	49	53
Industry Unit Volume Per Week (Billions)	.21	.25	.27

Source: RJR Purchase Pattern Report, RJR Price Surveys, RJR Consumer Trend Reports

51842 7501

Summary of Liquor Store Prices and Margins

	1989	1990	1991
Average Pack Price	$1.54	$1.68	$1.88
Average Carton Price	13.21	14.43	16.26
Weighted Pack Price	1.44	1.57	1.77
Pack Gross Margin	27.3%	27.5%	27.4%
Carton Gross Margin	15.1	15.6	16.2
Weighted Pack Margin	22.2	22.4	22.8
Pack Markup	$.42	$.46	$.51
Carton Markup	1.99	2.25	2.63
Weighted Pack Markup	.32	.35	.40

Source: RJR Price Surveys

Pack Versus Carton Sales

- In 1991, the percentage of liquor store volume sold by the pack was 59%, up 3% from 1990.
- Liquor stores account for nearly 4% of all pack sales and 2% of all carton sales.

	1989	1990	1991
Pack/Carton Ratio of Liquor Store Volume			
Pack	56%	56%	59%
Carton	45	44	41
Liquor Store Share of Industry Pack/Carton Volume			
Pack	3%	3%	4%
Carton	2	2	2

Source: RJR Purchase Pattern Reports

51842 7502

II. DEMOGRAPHIC PROFILE & PURCHASE BEHAVIOR

Smoker Profile

- Compared with the demographic profile of the average cigarette buyer in the total cigarette market, liquor store purchasers have a higher likelihood of being male, and adults 25-49 years old.

Demographic Profile of Liquor Store Cigarette Purchasers

	Liquor Stores 1991	Total U.S. Smokers	Liquor Store Index to U.S. Smokers
Sex			
Male	65%	52%	125
Female	35	48	73
Age			
18-24	12	13	92
25-34	31	27	115
35-49	33	33	100
50+	24	27	89

Source: RJR Purchase Pattern Report (1991)

51842 7504

- Liquor stores accounted for 3% of the volume sold to males and 2% of the volume sold to females.

Liquor Store Share of
Volume Among Demographic Groups

Age	
18-24	3%
25-34	3
35-49	3
50+	2
Sex	
Male	3%
Female	2

Source: RJR Purchase Pattern (1991)

Purchase Patterns

- About 94% of the cigarette volume sold in liquor stores is purchased by smokers shopping for themselves.

% of Volume Purchased by the Smoker Versus
% of Volume Purchased for the Smoker by Someone Else

Liquor Stores	
% Of volume bought for self	94%
% Of volume bought by others	6

Source: RJR Purchase Pattern (1991)

51842 7505

Chapter 10
Appendix

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CHAPTER 10

APPENDIX

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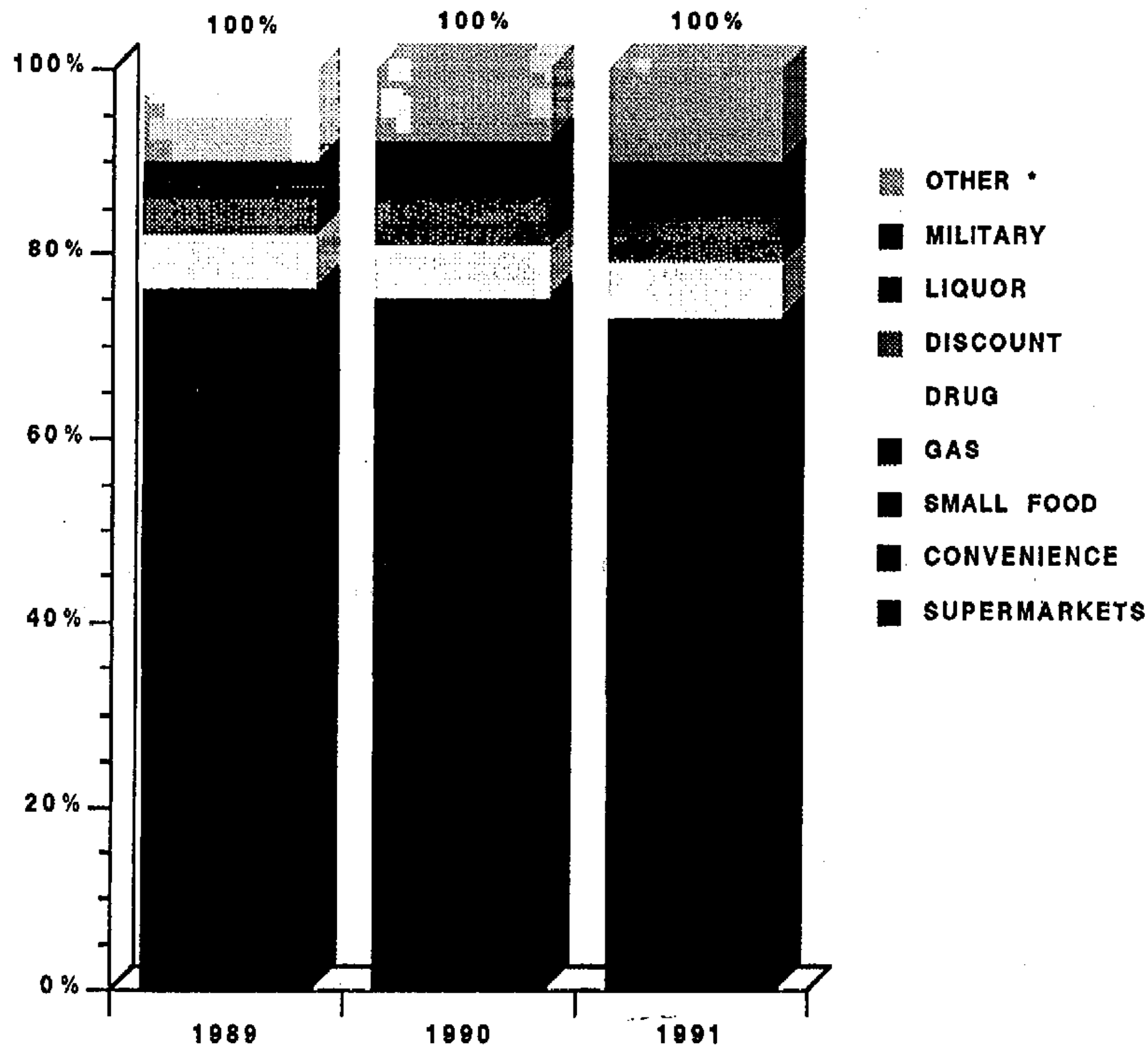
I. OUTLET SHARE OF CIGARETTE VOLUME

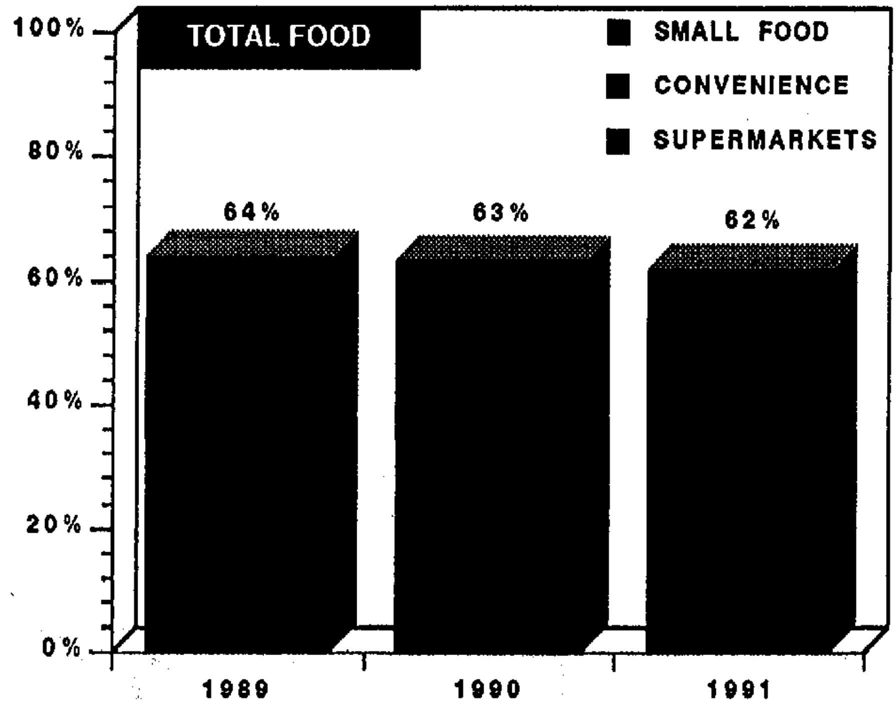
TOTAL U.S.
OUTLET IMPORTANCE
PERCENT OF TOTAL CIGARETTE INDUSTRY VOLUME

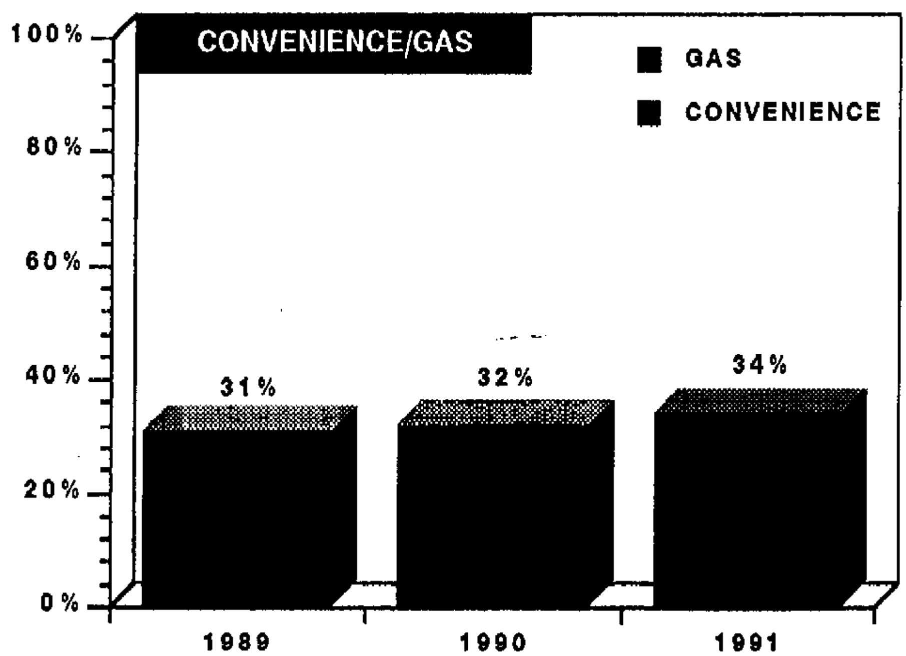


* DEPARTMENT STORES, RESTAURANT/BAR, NEWSSTAND/TOBACCO SHOP, ETC.
SOURCE: RJR PURCHASE PATTERN STUDIES

51842 7509

TOTAL U.S.
RETAIL OUTLET IMPORTANCE
PERCENT OF TOTAL CIGARETTE INDUSTRY VOLUME





SOURCE: RJR PURCHASE PATTERN STUDIES

51842 7510

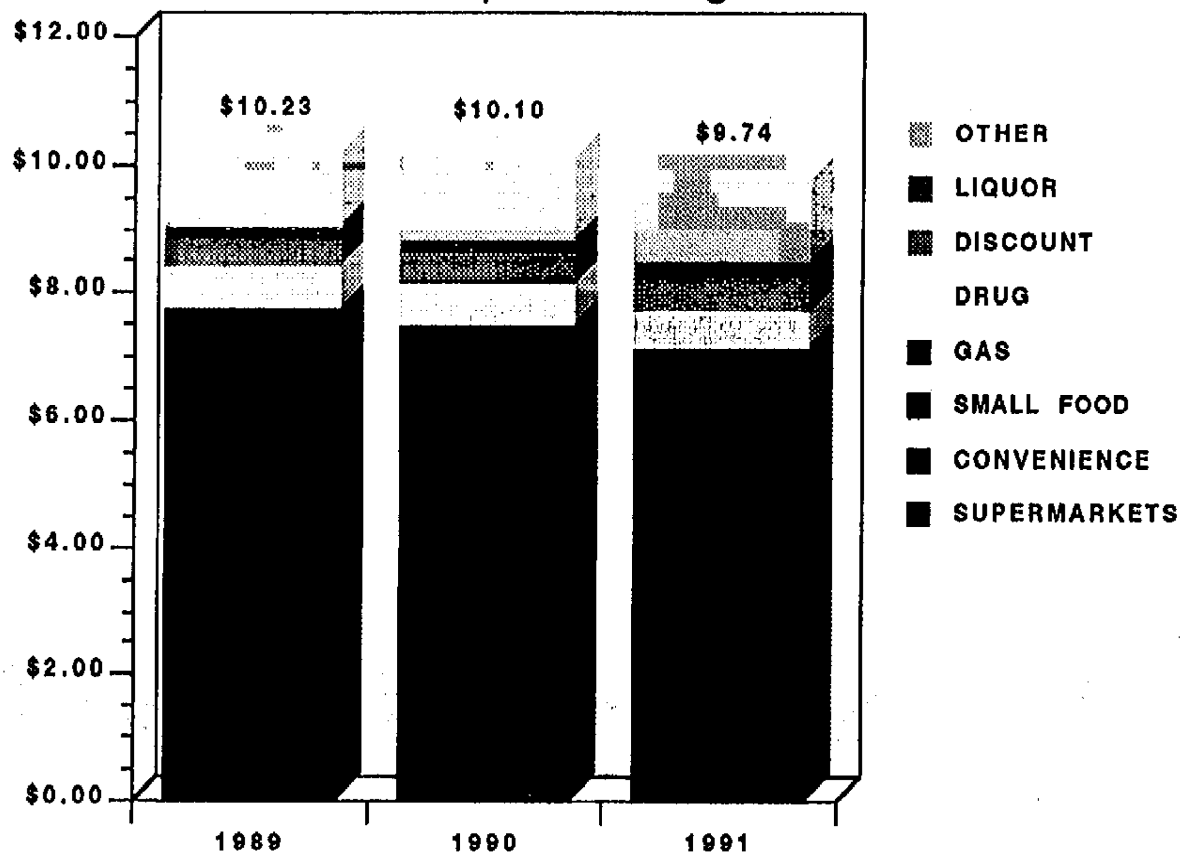
TOTAL U.S.
OUTLET IMPORTANCE
PERCENT OF TOTAL CIGARETTE INDUSTRY VOLUME

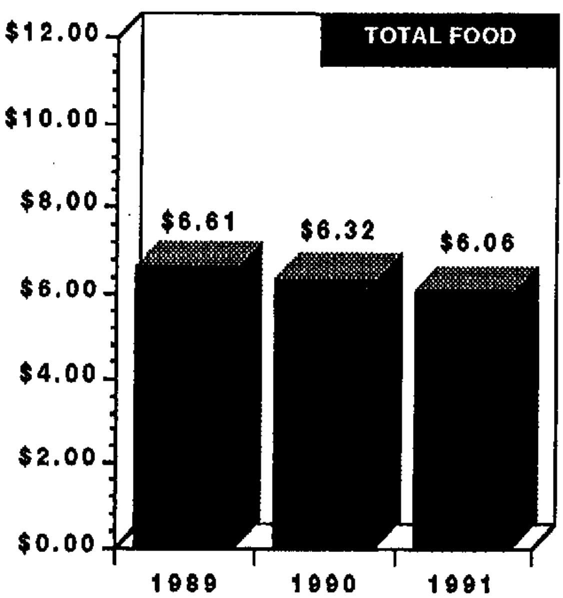
	1989	1990	1991
SUPERMARKETS	35%	34%	32%
CONVENIENCE	20	20	22
SMALL FOOD	10	9	8
TOTAL FOOD	64	63	62
GAS	11	12	11
DRUG	6	6	6
DISCOUNT	4	5	5
LIQUOR	2	3	3
MILITARY	2	3	3
OTHER *	10	8	10
TOTAL CONVENIENCE/GAS	31	32	34

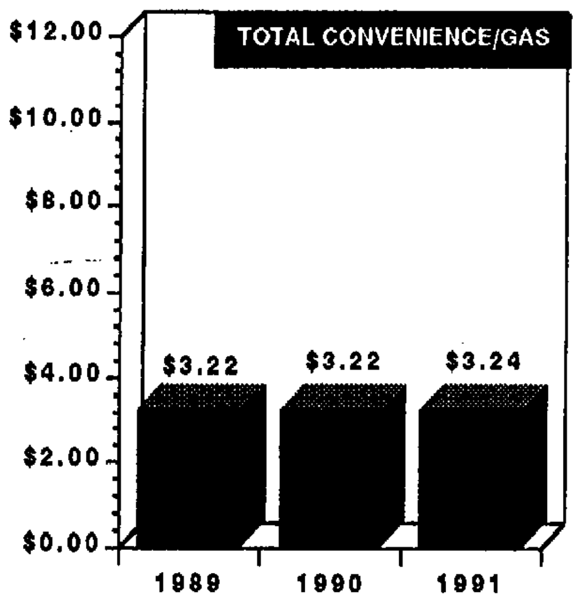
* DEPARTMENT STORES, RESTAURANT/BAR, NEWSSTAND/TOBACCO SHOP, ETC.
SOURCE: RJR PURCHASE PATTERN STUDIES
Percentages may not add due to rounding

II. OUTLET VOLUME SOLD

TOTAL U.S.
OUTLET CIGARETTE VOLUME
Billions / Per Average Week







SOURCE: RJR PRICE SURVEYS AND CONSUMER TREND REPORTS

51842 7513

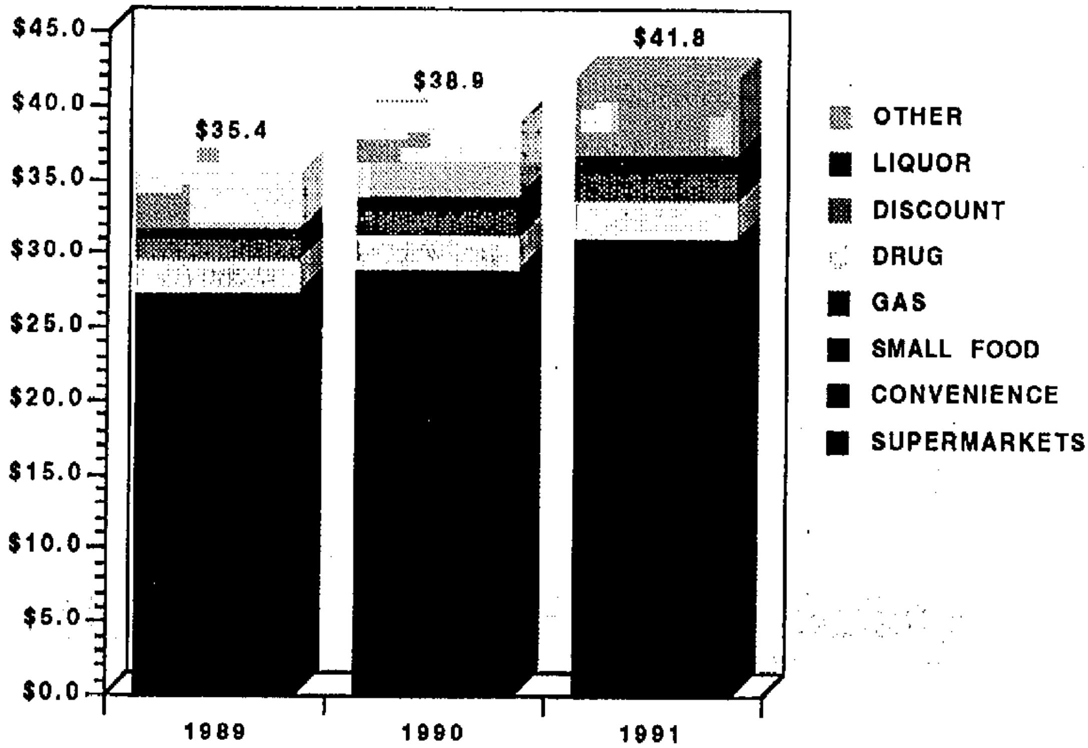
TOTAL U.S.
OUTLET CIGARETTE VOLUME
Billions / Per Average Week

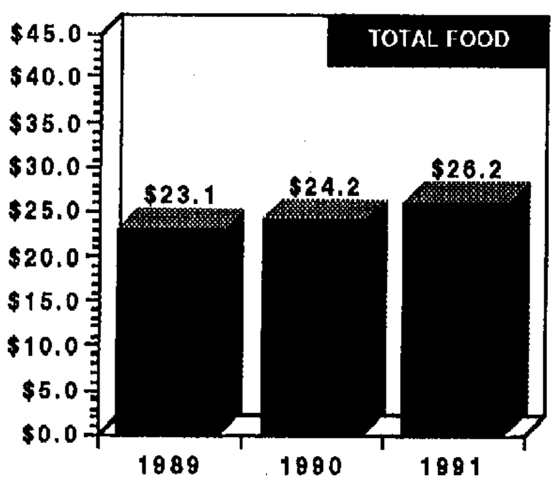
	1989	1990	1991
SUPERMARKETS	$3.57	$3.37	$3.11
CONVENIENCE	2.08	2.05	2.16
SMALL FOOD	.96	.90	.79
TOTAL FOOD	$6.61	$6.32	$6.06
GAS	1.14	1.17	1.08
TOTAL CONVENIENCE/GAS	$3.22	$3.22	$3.24
DRUG	.64	.64	.58
DISCOUNT	.42	.46	.49
LIQUOR	.21	.25	.27
OTHER	1.21	1.26	1.26
TOTAL	$10.23	$10.10	$9.74

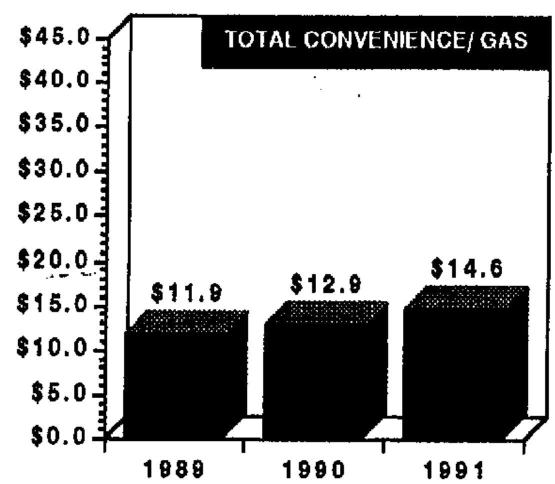
SOURCE: RJR PRICE SURVEYS AND CONSUMER TREND REPORTS

51842 7514

TOTAL U.S.
CIGARETTE RETAIL DOLLAR SALES
Billions of Dollars







SOURCE: RJR PURCHASE PATTERN, CONSUMER TREND AND PRICE SURVEYS

51842 7515

TOTAL U.S.
CIGARETTE RETAIL DOLLAR SALES
Billions of Dollars

	1989	1990	1991
SUPERMARKETS	$11.9	$12.3	$12.9
CONVENIENCE	7.8	8.3	9.8
SMALL FOOD	3.4	3.6	3.5
TOTAL FOOD	$23.1	$24.2	$26.2
GAS	4.1	4.6	4.8
TOTAL CONVENIENCE/GAS	$11.9	$12.9	$14.6
DRUG	2.2	2.4	2.5
DISCOUNT	1.4	1.7	1.9
LIQUOR	.8	1.0	1.2
OTHER	3.8	5.0	5.2
TOTAL	$35.4	$38.9	$41.8

SOURCE: RJR PURCHASE PATTERN, CONSUMER TREND AND PRICE SURVEYS

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III. PACK / CARTON RATIOS

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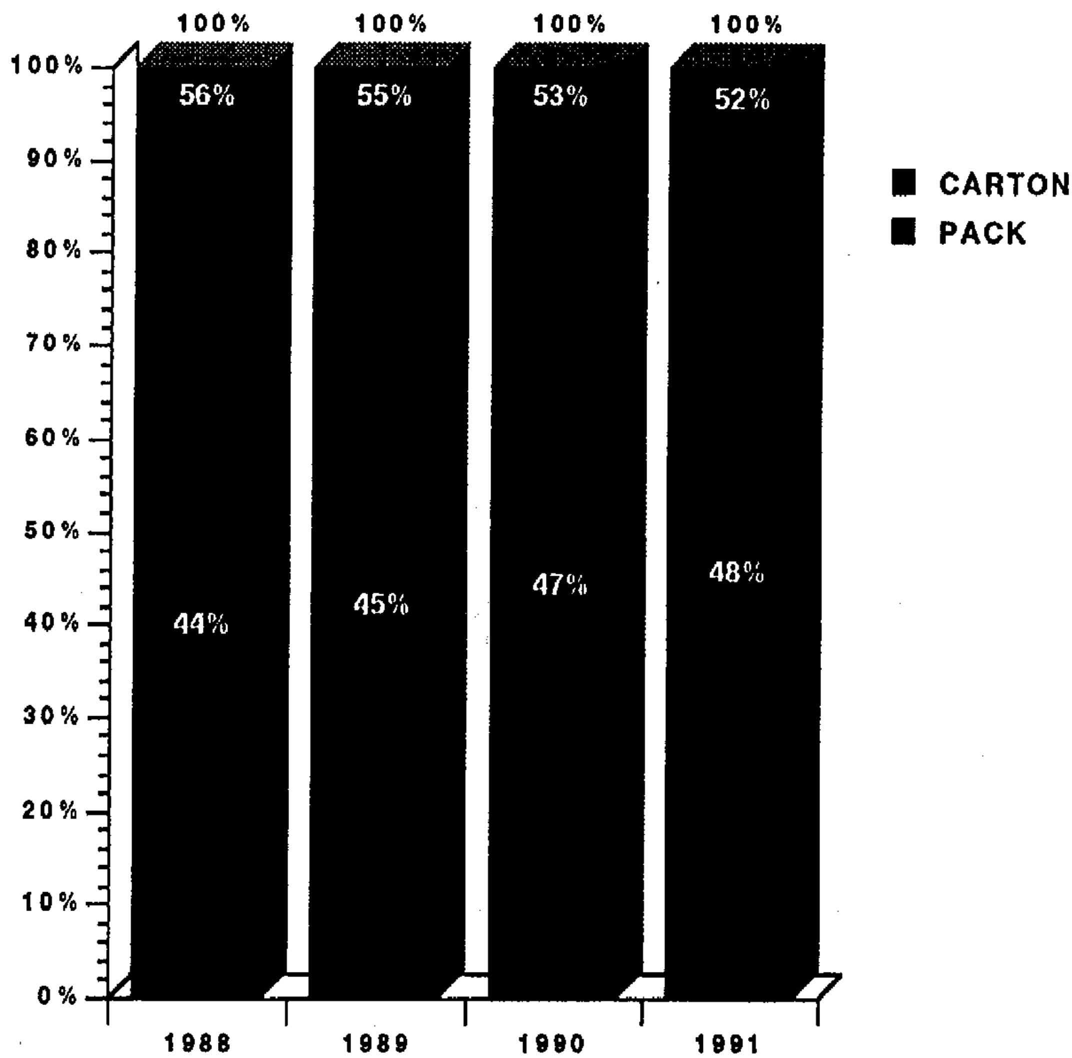
TOTAL U.S.
PACK / CARTON RATIOS



SOURCE: RJR PURCHASE PATTERN STUDIES

51842 7518

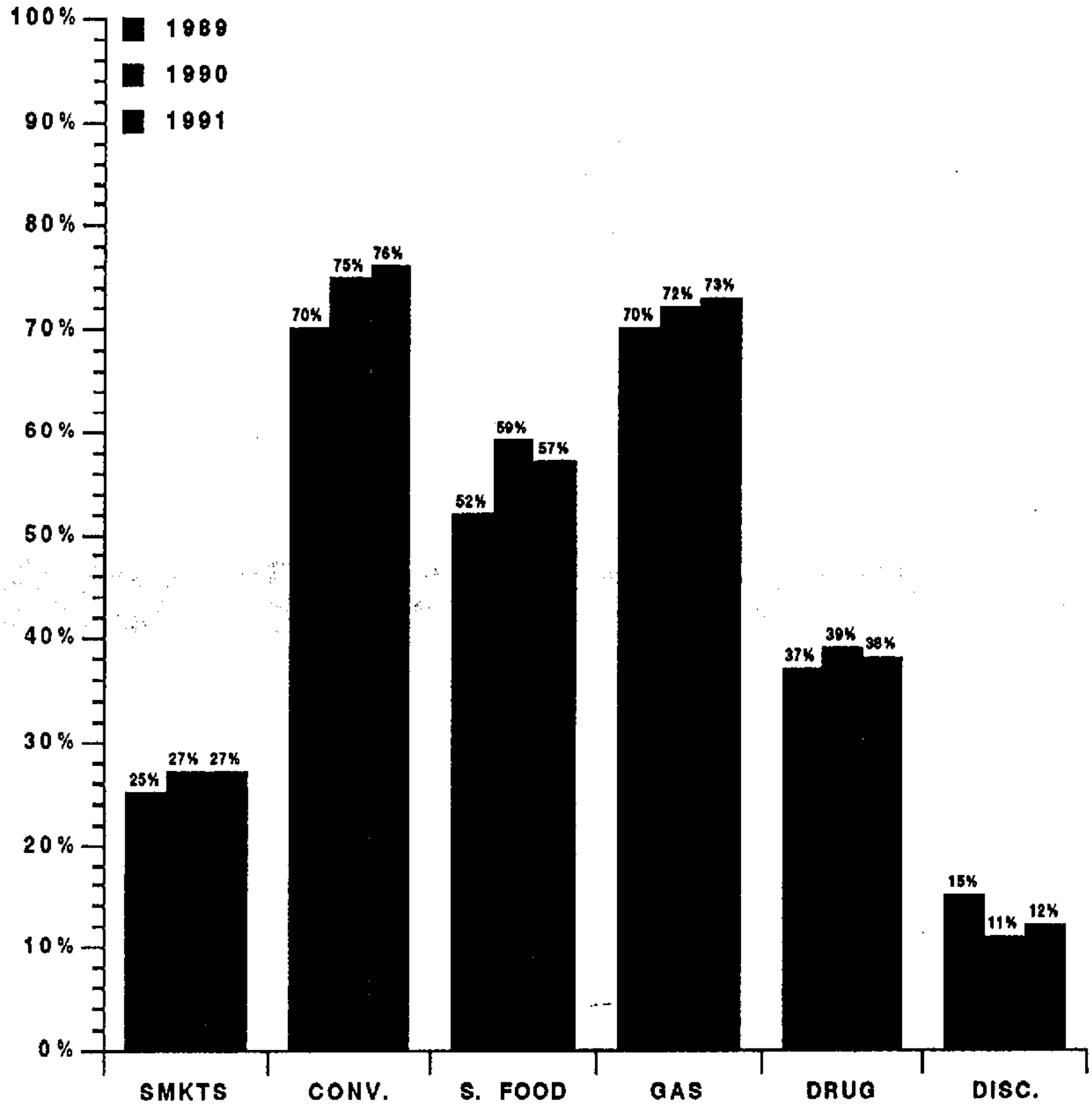
TOTAL U.S.
OUTLET PACK / CARTON RATIOS

	1989	1990	1991
SUPERMARKETS	25/75	27/73	27/73
CONVENIENCE	70/30	75/25	76/24
SMALL FOOD	52/48	59/41	57/43
GAS	70/30	73/27	73/27
DRUG	37/63	39/61	38/62
DISCOUNT	15/85	11/89	12/88
TOTAL	**45/55**	**47/53**	**48/52**

SOURCE: RJR PURCHASE PATTERN STUDIES

51842 7519

TOTAL U.S.
OUTLET PERCENT PACK SALES



SOURCE; RJR PURCHASE PATTERN STUDIES

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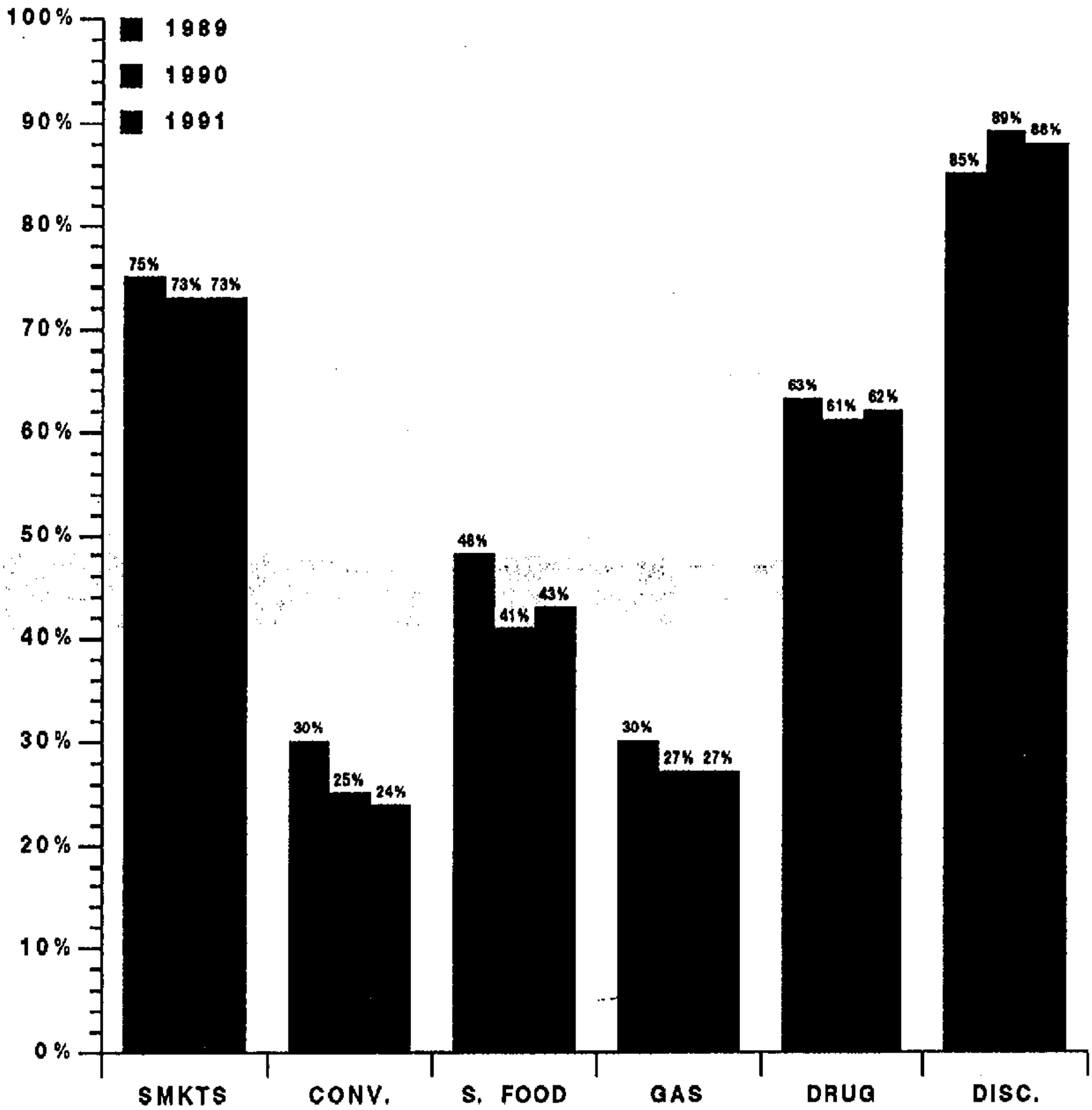
TOTAL U.S.
OUTLET PERCENT CARTON SALES



SOURCE: RJR PURCHASE PATTERN STUDIES

51842 7521

TOTAL U.S.
DEMOGRAPHIC PACK / CARTON RATIOS *

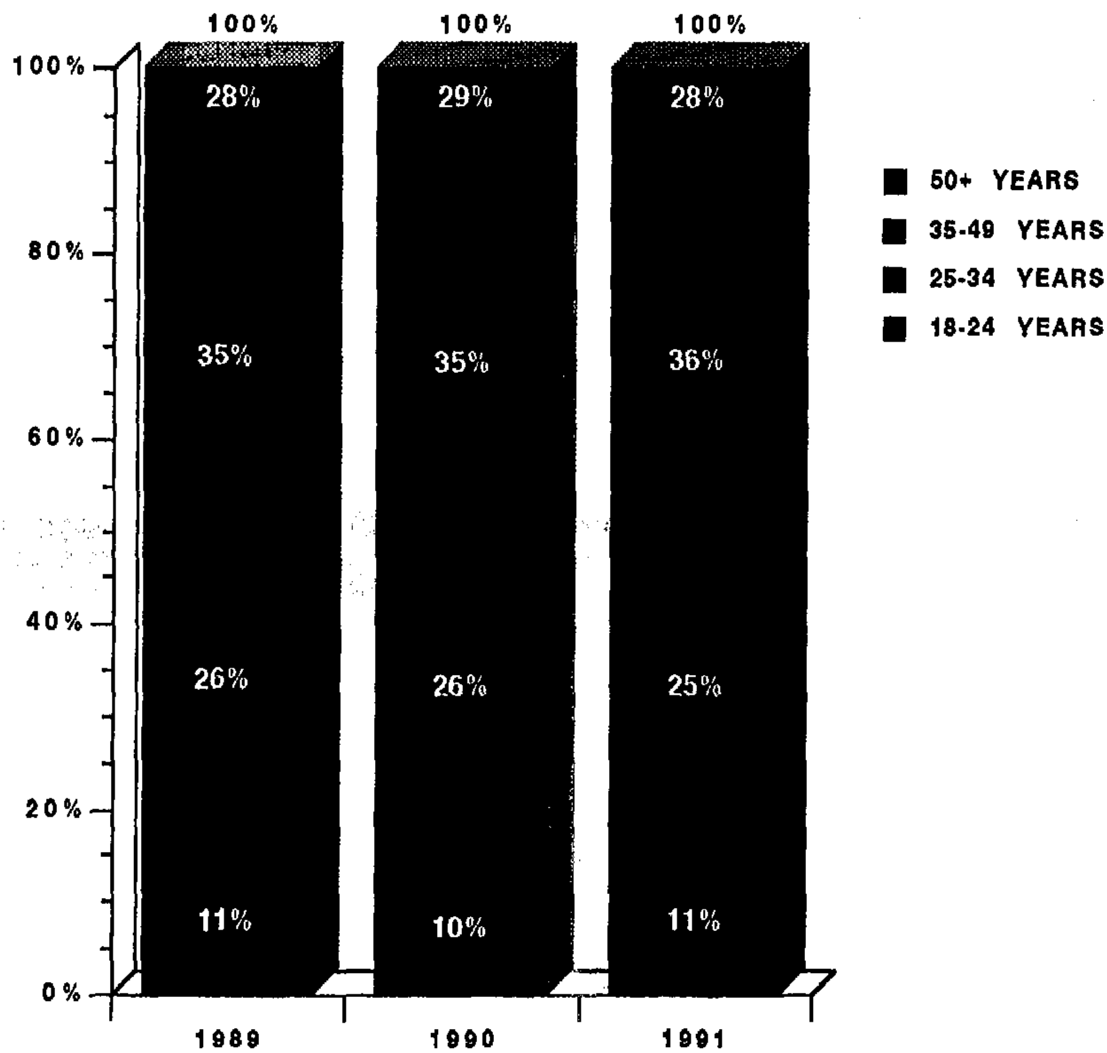
	1989	1990	1991
18-24 YEARS	74/26	73/27	74/26
25-34 YEARS	59/41	63/37	62/38
35-49 YEARS	42/58	46/54	45/55
50+ YEARS	26/74	26/74	27/73
MALE	49/51	50/50	51/49
FEMALE	40/60	43/57	43/57
TOTAL	45/55	47/53	48/52

* PERCENTAGE OF VOLUME PURCHASED BY THE PACK VERSUS BY THE CARTON, BY DEMOGRAPHIC GROUP. FOR EXAMPLE, 74% OF THE VOLUME PURCHASED BY 18-24 YEAR OLDS IN 1991 WAS BOUGHT BY THE PACK.

SOURCE: RJR PURCHASE PATTERN STUDIES

IV. DEMOGRAPHICS

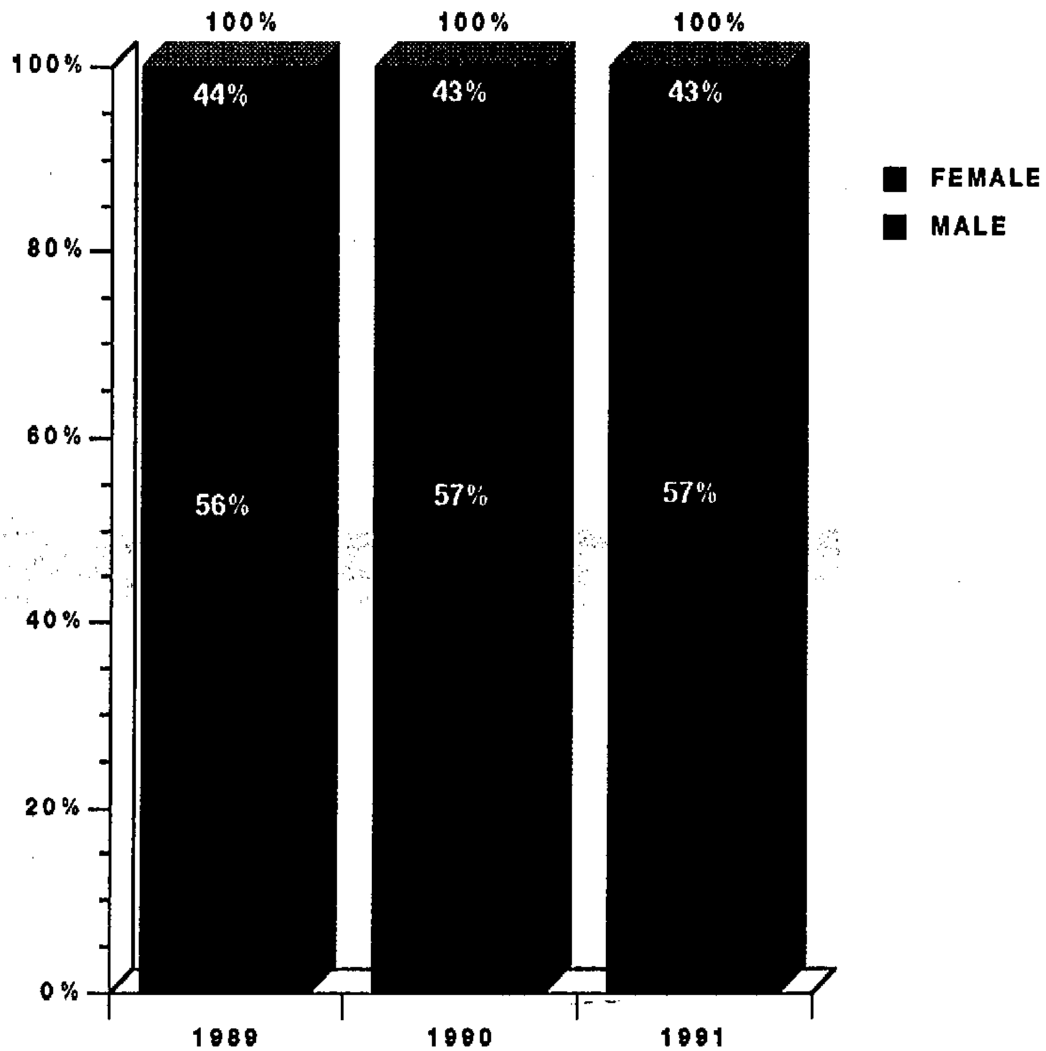
TOTAL U.S.
SMOKERS DEMOGRAPHIC VOLUME
PERCENT OF TOTAL VOLUME SMOKED BY AGE



SOURCE: RJR PURCHASE PATTERN STUDIES

51842 7524

TOTAL U.S.
SMOKERS DEMOGRAPHIC VOLUME
PERCENT OF TOTAL VOLUME SMOKED BY SEX



SOURCE: RJR PURCHASE PATTERN STUDIES

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V. BRAND LOYALTY

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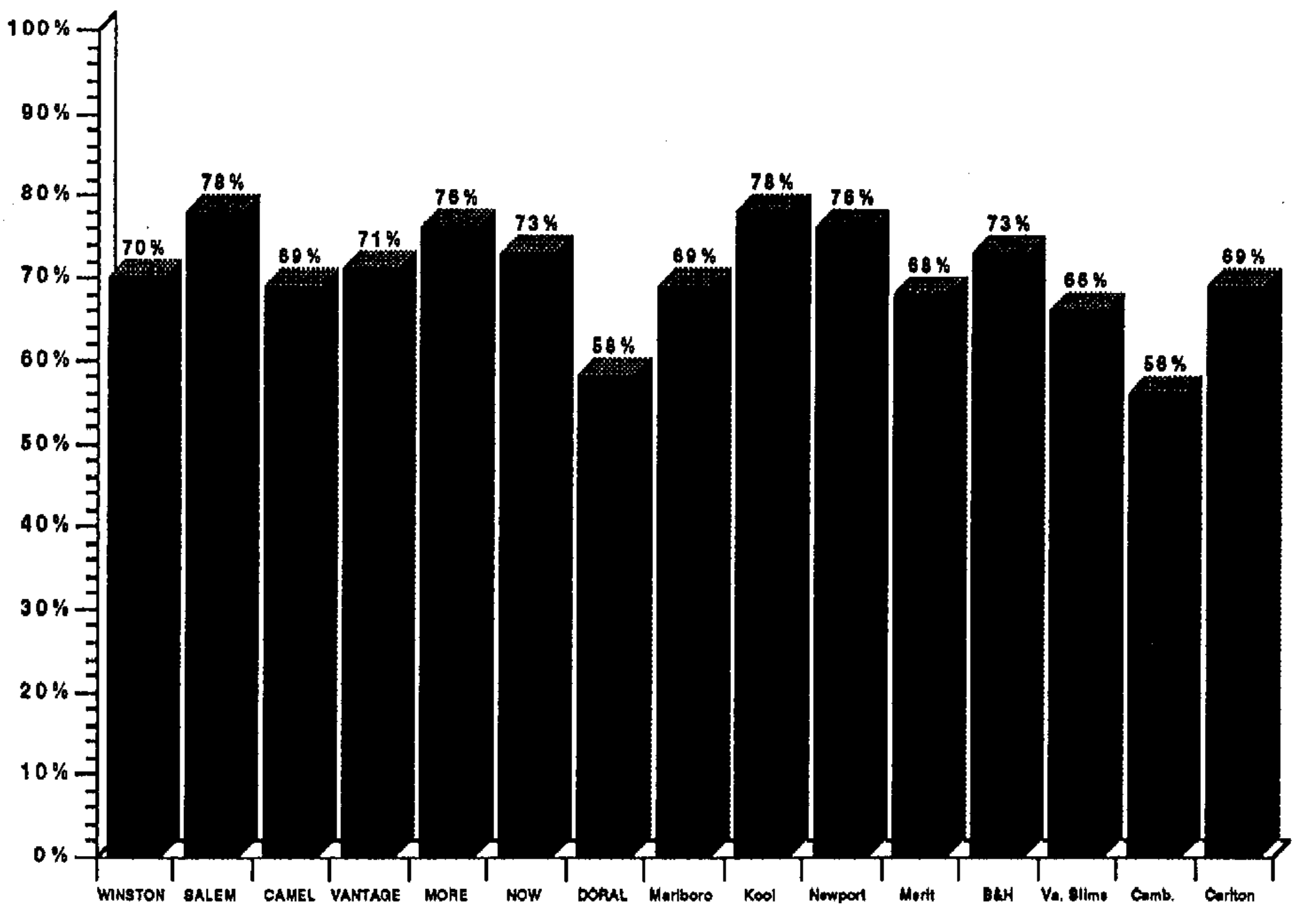
1991
BRAND LOYALTY
PERCENT OF SMOKERS SATISFYING 100% OF THEIR REQUIREMENTS



SOURCE: PC MARIS DATABASE. CLAIMED USUAL, GE 100%, SHARE OF TOTAL BUYERS.

BRAND LOYALTY IS MEASURED BY THE AVERAGE PROPORTION OF TOTAL USUAL BRANDERS DEVOTING 100% OF THEIR CATEGORY REQUIREMENTS TO BRAND X.

51842 7527

BRAND LOYALTY

PERCENT OF SMOKERS SATISFYING 100% OF THEIR REQUIREMENTS

	1989	1990	1991
WINSTON	76%	75%	70%
SALEM	75	77	78
CAMEL	76	74	69
VANTAGE	72	69	71
MORE	77	76	76
NOW	71	73	73
DORAL	58	57	58
Marlboro	75	74	69
Kool	80	80	78
Newport	72	79	76
Merit	70	72	68
B&H	74	72	73
Virginia Slims	73	70	66
Cambridge	54	59	56
Carlton	72	70	69

- BRAND LOYALTY CHANGED IN 1991, AS ALMOST HALF OF THE BRANDS DROPPED 3 OR MORE PERCENTAGE POINTS. THIS MAY BE DUE TO THE INCREASING LEVEL OF PROMOTIONAL ACTIVITY.

SOURCE: PC MARIS DATABASE. CLAIMED USUAL, GE 100%, SHARE OF TOTAL BUYERS.

BRAND LOYALTY IS MEASURED BY THE AVERAGE PROPORTION OF TOTAL USUAL BRANDERS DEVOTING 100% OF THEIR CATEGORY REQUIREMENTS TO BRAND X.

VI. LEADING RETAIL COMPANIES

TOP 50 SUPERMARKET CHAINS

RANK	COMPANY	SALES (billions)	HEADQUARTERS
1	AMERICAN STORES CO.	$22.004	SALT LAKE CITY, UT
2	KROGER CO.	19.100	CINCINNATI, OH
3	SAFEWAY INC.	14.300	OAKLAND, CA
4	A&P	11.148	MONTVALE, NJ
5	WINN-DIXIE STORES	9.744	JACKSONVILLE, FL
6	ALBERTSON'S	7.423	BOISE, ID
7	SUPERMARKETS GEN'L CORP.	5.820	WOODBRIDGE, NJ
8	PUBLIX SUPER MARKETS	5.300	LAKELAND, FL
9	VONS COS.	5.200	ARCADIA, CA
10	FOOD LION	4.717	SALISBURY, NC
11	AHOLD USA	4.400	PARSIPPANY, NJ
12	THE STOP & SHOP COS.	3.278	BRAINTREE, MA
13	GIANT FOOD	3.250	LANDOVER, MD
14	H-E-B GROCERY CO.	3.000	SAN ANTONIO, TX
15	GRAND UNION CO.	2.916	WAYNE, NJ
16	PENN TRAFFIC CO.	2.700	JOHNSTOWN, PA
17	RALPHS GROCERY CO.	2.556	COMPTON, CA
18	BRUNO'S	2.395	BIRMINGHAM, AL
19	FRED MEYER, INC.	2.285	PORTLAND, OR
20	MEIJER	2.000	GRAND RAPIDS, MI
21	DOMINICK'S FINER FOODS	2.000	NORTHLAKE, IL
22	HY-VEE FOOD STORES	2.000	CHARITON, IA
23	GIANT EAGLE	1.850	PITTSBURGH, PA
24	SMITH'S FOOD & DRUG	1.732	SALT LAKE CITY, UT
25	SHAW'S SUPERMARKETS	1.681	EAST BRIDGEWATER, MA
26	HANNAFORD BROS.	1.521	SCARBOROUGH, ME
27	STATER BROS. MARKETS	1.521	COLTON, CA
28	RALEY'S	1.300	WEST SACRAMENTO, CA
29	SAVE MART SUPERMARKETS	1.240	MODESTO, CA
30	WEIS MARKETS	1.239	SUNBURY, PA
31	FURR'S	1.200	LUBBOCK, TX
32	NATIONAL TEA CO.	1.200	ROSEMONT, IL
33	HARRIS TEETER	1.164	CHARLOTTE, NC
34	TOPS MARKETS, INC.	1.150	BUFFALO, NY
35	EAGLE FOOD CENTERS	1.130	MILAN, IL
36	CULLUM COS.	1.100	DALLAS, TX
37	SCHNUCK MARKETS	1.100	BRIDGETON, MO
38	RISER FOODS	1.054	BEDFORD HEIGHTS, OH
39	WEGMANS FOOD MARKETS	1.050	ROCHESTER, NY
40	PUEBLO INTERNATIONAL	1.050	POMPANO BEACH, FL
41	KASH 'N KARRY FOOD STORES	1.038	TAMPA, FL
42	INGLES MARKETS	1.007	BLACK MOUNTAIN, NC
43	DEMOULAS/MARKET BASKET	1.000	TEWKSBURY, MA
44	MARSH SUPERMARKETS	0.992	YORKTOWN, IND
45	DELCHAMPS	0.948	MOBILE, AL
46	PRICE CHOPPER	0.900	SCHENECTADY, NY
47	RANDALL'S FOOD MARKETS	0.900	HOUSTON, TX
48	APPLETREE MARKETS	0.850	HOUSTON, TX
49	HUGHES MARKETS	0.850	LOS ANGELES, CA
50	HOMELAND STORES	0.745	OKLAHOMA CITY, OK

THE TOP 50 CONVENIENCE STORE COMPANIES

Rank 1990	Rank 1991	Company	Headquarters	Key Chain(s)	Total Stores
1	1	The Southland Corp.	Dallas	7-Eleven, High's Dairy Stores Quik Mart, Super 7	6,705
7	2	Amoco Corp.	Chicago	Amoco Food Shops, Split Second	6,350
3	3	Chevron Corp.	San Francisco	Food Mart	3,999
2	4	The Circle K Corp.	Phoenix	Circle K Food Stores	3,865
4	5	Mobil Corp.	Fairfax, VA	Mobil Mart	2,200
6	6	Texaco Inc.	Houston	Food Mart, Star Mart	1,244
8	7	Dairy Mart Convenience Stores Inc.	Enfield, CT	Dairy Mart	1,189
5	8	Marathon Oil Co.	Springfield, OH	Speedway, Starvin' Marvin, Bonded, Cheker, Gastown, United, ECOL, Port	1,134
10	9	Cumberland Farms Inc.	Canton, MA	Cumberland Farms	1,129
11	10	National Convenience Stores Inc.	Houston	Stop N Go	1,071
12	11	Silcorp Ltd.	Mississauga, Ontario, Canada	Mac's Convenience Stores, Hop-In Mike's Mart, La Maisonnee	999
13	12	Dillon Companies Inc.	Hutchinson, KS	Kwik Shop, Quik Stop, Loaf N Jug, Mini Mart, Turkey Hill Minit Markets Tom Thumb, Time Saver	958
39	13	Shell Oil Co.	Houston	Food Mart	900
14	14	BP Oil Co.	Cleveland	BP Shop	880
15	15	The Coastal Corp.	Houston	Coastal Mart	800
16	16	Casey's General Stores, Inc.	Ankeny, IA	Casey's General Stores	779
17	17	Atlantic Richfield Co.	Los Angeles	am/pm	760
18	18	Becker Milk Co.	Scarborough, Ontario, Canada	Becker's	688
20	19	Diamond Shamrock Inc.	San Antonio	Corner Stores	677
23	20	Ashland Oil Corp.	Ashland, KY	SuperAmerica	660
21	21	Kampgrounds of America	Billings, MT	Kampgrounds of America	650
22	22	Total Petroleum Inc.	Denver	Total Mart, Vickers, Road Runner	631
25	23	Exxon Corp.	Houston	Exxon Shop	629
24	24	Getty Petroleum Corp.	Jericho, NY	Getty Mart	591
19	25	Crown Central Petroleum Corp	Baltimore	Crown, Fast Fare, Zippy Mart	550
26	26	Docks de France	Tours, France	Lil' Champ, Jiffy Stores	547
27	27	Conoco Inc.	Houston	Conoco, Jet Mart	500
9	28	Convenient Food Mart Inc.	Schaumburg, IL	Convenient Food Mart	500
32	29	The Sun Co.	Philadelphia	Sunoco Food Market, A-Plus	500
28	30	Wawa Inc.	Wawa, PA	Wawa	483
30	31	JFM Inc.	Jackson, MS	Jr. Food Mart	467
31	32	The Pantry Inc.	Sanford, NC	The Pantry	445
35	33	White Hen Pantry Inc.	Elmhurst, IL	White Hen Pantry	392
36	34	TOC Retail Inc.	Casselberry, FL	Majik Market	388
34	35	The Provigo Group	Saint-Laurent, Quebec, Canada	Provi-Soir, Winks, Winks Express, Red Rooster	386
37	36	Uni-Marts Inc.	State College, PA	Uni-Mart	339
41	37	E-Z Mart Stores Inc.	Texarkana, TX	E-Z Mart	325

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THE TOP 50 CONVENIENCE STORE COMPANIES

Rank 1990	Rank 1991	Company	Headquarters	Key Chain(s)	Total Stores
28	38	Mapco Petroleum Inc.	Tulsa, OK	Mapco Express, Delta Express	325
---	39	Racetrac Petroleum Inc.	Atlanta	Racetrac, Raceway	310
38	40	Allsup's Convenience Stores Inc.	Clovis, NM	Allsup's	307
39	41	Sunshine-Jr. Stores Inc.	Panama City, FL	Jr. Stores	296
42	42	QuikTrip Corp.	Tulsa, OK	QuikTrip	284
43	43	Farm Stores Inc.	Miami	Farm Stores	258
44	44	Holiday Station Stores Inc.	Minneapolis	Holiday Station Stores, Holiday Express	235
47	45	Kwik Trip Inc.	La Crosse, WI	Kwik Trip	219
47	46	Suwannee Swifty Stores Inc.	Quitman, GA	Suwannee Swifty Stores	218
---	47	Ultramar Inc.	Hanford, CA	Beacon, Ultramart	218
46	48	United Dairy Farmers Inc.	Cincinnati	United Dairy Farmers	215
49	49	Tom Thumb Food Markets Inc.	Hastings, MN	Tom Thumb Food Stores	191
---	50	United Refining Co. of Warren, PA	Warren, PA	Kwik Fill, Red Apple Marts	191

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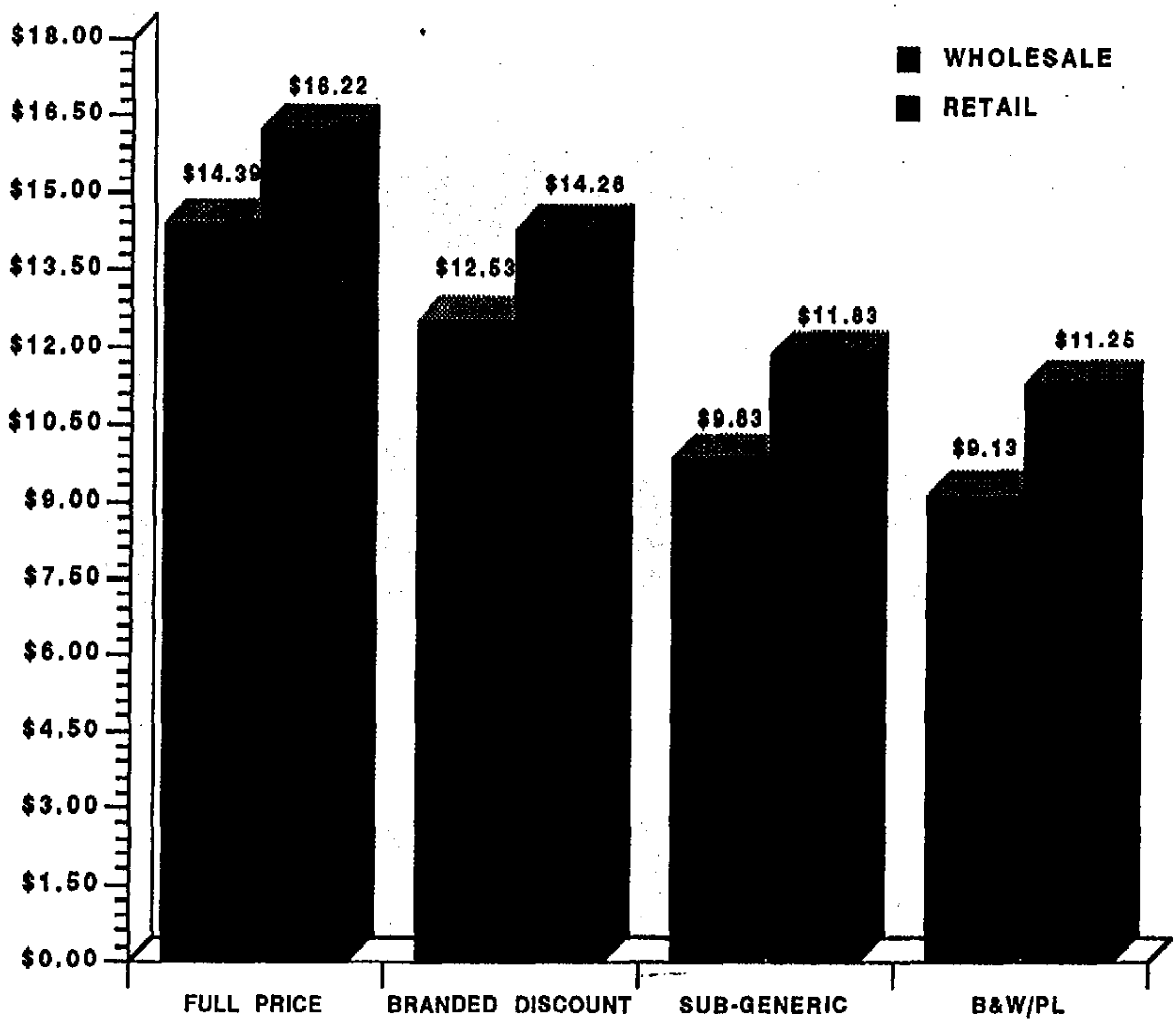
VII. INDUSTRY PRICING & PROFIT

AVERAGE CARTON PRICE FOR VARIOUS PRICE TIERS 1991



GROSS MARGIN	11.3%	12.1%	16.9%	18.8%

SOURCE: GROSS MARGINS FROM FIELD SALES PRICE SURVEY (APRIL, 1991).
SELLING PRICES PROJECTED TO YEAR AVERAGE.

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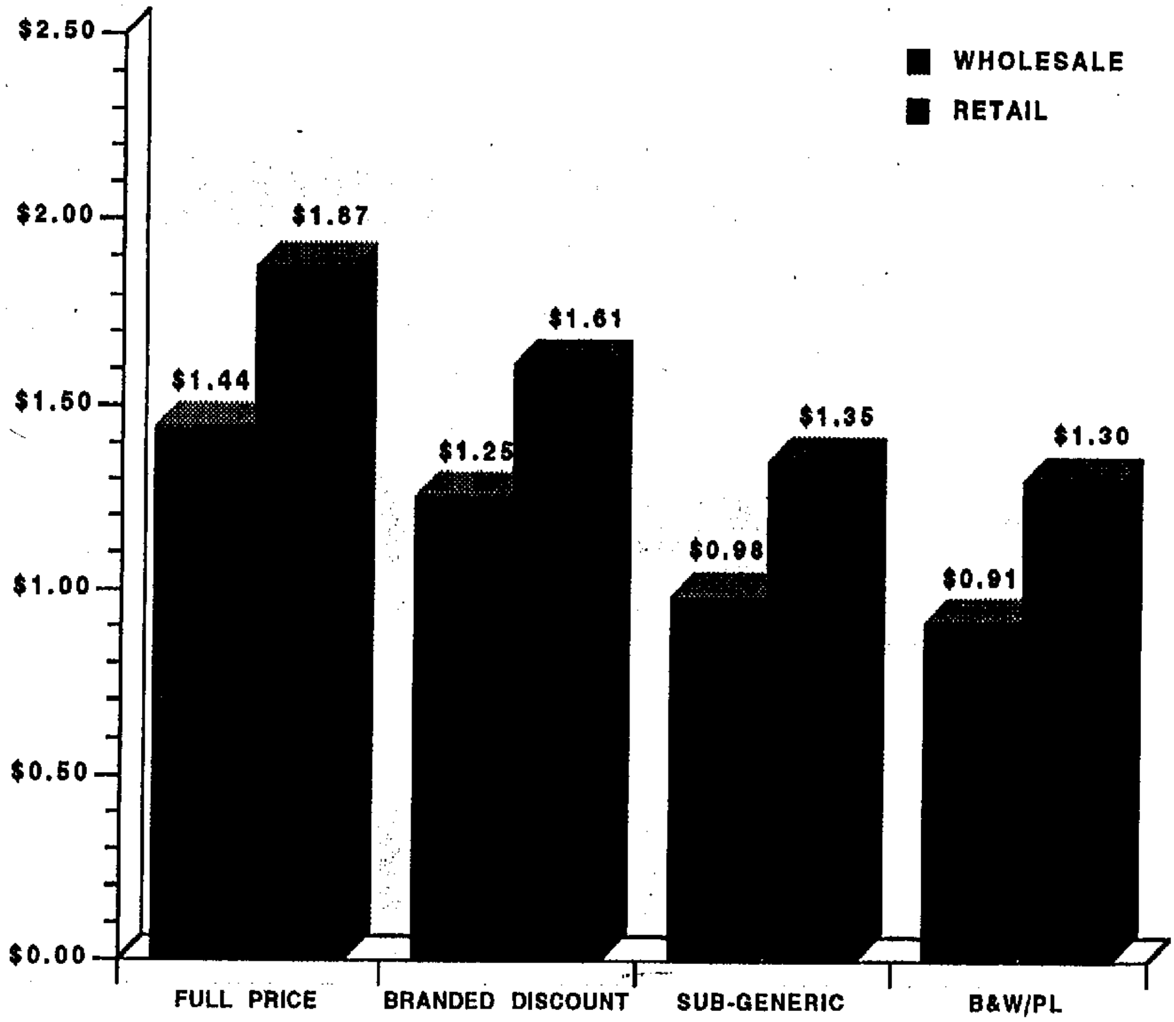
AVERAGE PACK PRICE FOR VARIOUS PRICE TIERS
1991



	FULL PRICE	BRANDED DISCOUNT	SUB-GENERIC	B&W/PL
GROSS MARGIN	23.1%	22.3%	27.3%	29.6%

SOURCE: GROSS MARGINS FROM FIELD SALES PRICE SURVEY (APRIL, 1991).
SELLING PRICES PROJECTED TO YEAR AVERAGE.

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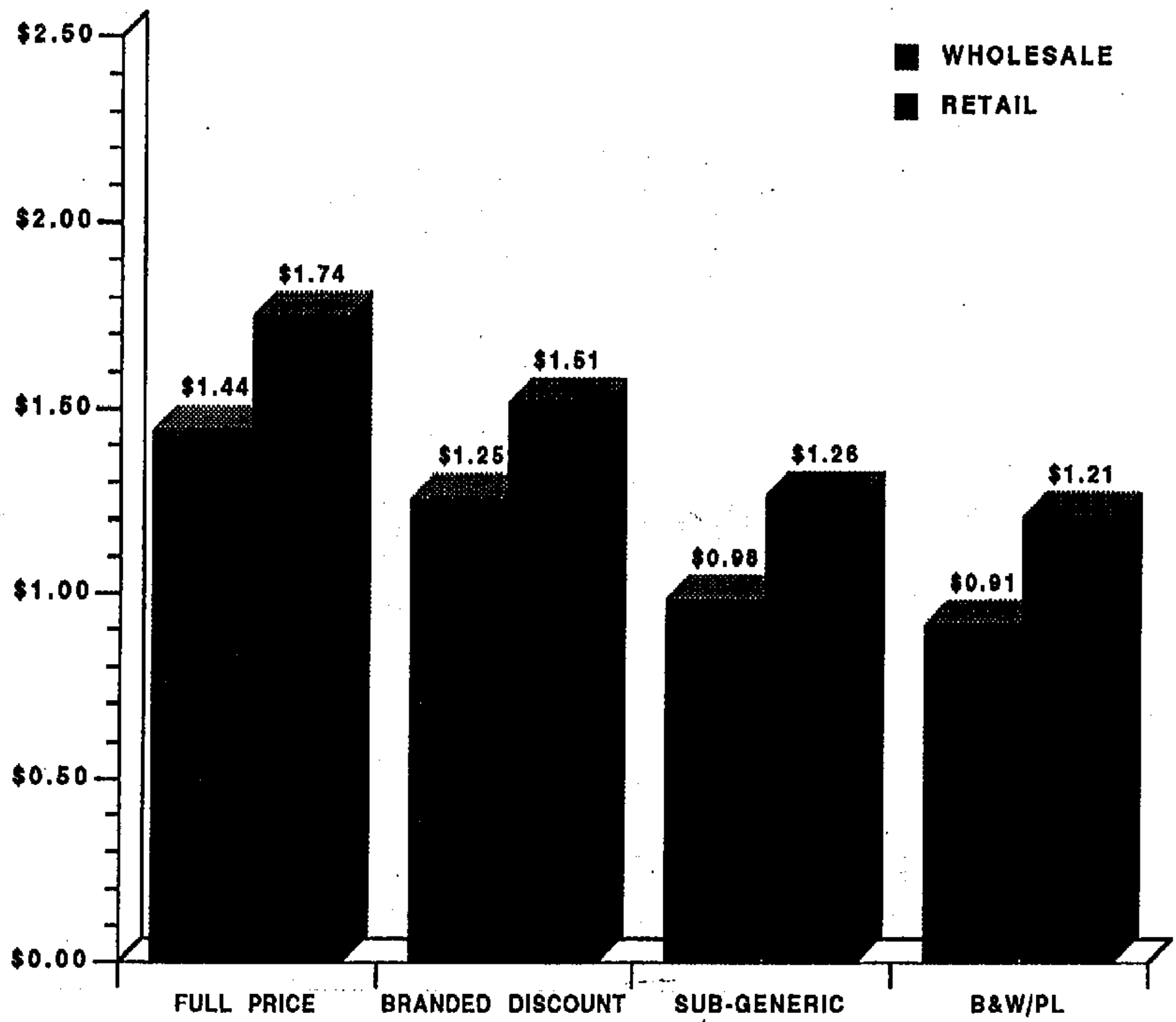
AVERAGE WEIGHTED PRICE FOR VARIOUS PRICE TIERS PER PACK
1991



	FULL PRICE	BRANDED DISCOUNT	SUB-GENERIC	B&W/PL
GROSS MARGIN	17.5%	17.3%	22.1%	24.4%

SOURCE: GROSS MARGINS FROM FIELD SALES PRICE SURVEY (APRIL, 1991).
SELLING PRICES PROJECTED TO YEAR AVERAGE.

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AVERAGE PRICE AND GROSS MARGIN FOR VARIOUS PRICE TIERS
YEAR 1991

	PACK	CARTON	WEIGHTED AVERAGE PRICE PER PACK
FULL PRICE			
WHOLESALE	$1.4391	$14.391	$1.4391
RETAIL	1.8704	16.220	1.7447
DIFFERENCE	.4313	1.829	.3056
GROSS MARGIN	23.1%	11.3%	17.5%
BRANDED DISCOUNT			
WHOLESALE	$1.2531	$12.531	$1.2531
RETAIL	1.6125	14.257	1.5144
DIFFERENCE	.3594	1.726	.2613
GROSS MARGIN	22.3%	12.1%	17.3%
SUB-GENERIC			
WHOLESALE	$.9834	$9.834	$.9834
RETAIL	1.3521	11.828	1.2627
DIFFERENCE	.3687	1.994	.2793
GROSS MARGIN	27.3%	16.9%	22.1%
B&W/PL			
WHOLESALE	$.9134	$9.134	$.9134
RETAIL	1.2973	11.248	1.2075
DIFFERENCE	.3839	2.114	.2941
GROSS MARGIN	29.6%	18.8%	24.4%

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